DASNY

DAC Bond

$144,810,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK REVENUE REFUNDING BONDS, SERIES 2016A

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

Payment and Security: The Department of Health of the State of New York Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds") will be special obligations of the Dormitory Authority of the State of New York ("DASNY" or the "Authority"). Principal of and interest on the Series 2016A Bonds are payable solely from and secured by a pledge of certain payments ("Annual Payments") to be made under the Loan Agreement, dated as of July 18, 1990 (the "Agreement"), as amended and supplemented, between the Department of Health of the State of New York (the "Department") and DASNY, and all funds and accounts (except the Arbitrage Rebate Fund) established under DASNY's Revenue Bond Resolution (Department of Health of the State of New York, Revenue Bonds) adopted July 18, 1990, as amended and supplemented (the "Resolution") and the Series 2016A Resolution adopted by DASNY on May 11, 2016 (the "Series 2016 Resolution").

The obligation of the Department to pay Annual Payments under the Agreement is secured by a pledge of all patient care revenues, together with certain other miscellaneous receipts, to be received by the Department from the operation of the Medical Care Facilities (as hereinafter defined). The Department is obligated by law to pay such revenues into the Health Income Fund (the "Health Income Fund"), which is maintained as a separate account by the Comptroller of the State of New York (the "Comptroller"). Annual Payments are payable from moneys in the Health Income Fund upon appropriation by the New York State Legislature (the "State Legislature") and the Department's obligation to make the Annual Payments is executory and enforceable only to the extent that moneys in the Health Income Fund are so appropriated and are legally available. The State of New York (the "State") is not bound or obligated to make such appropriations. The Comptroller is required by law to maintain on deposit in the Health Income Fund the aggregate amount of money needed by the Department during the next succeeding six months to meet all of the Department's obligations to DASNY under the Agreement. See "PART 2 – SOURCES OF PAYMENT AND SECURITY" herein.

The Series 2016A Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

Description: The Series 2016A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2016A Bonds will be due January 1, 2017 and each July 1 and January 1 thereafter. The Series 2016A Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2016A Bonds will be made in book-entry form without certificates. So long as DTC or its nominee is the registered owner of the Series 2016A Bonds, payments of the principal and Redemption Price of and interest on such Series 2016A Bonds will be made by Manufacturers and Traders Trust Company, Buffalo, New York, as Trustee and Paying Agent (the "Trustee"), directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "PART 3 - THE SERIES 2016A BONDS - Book-Entry Only System."

Redemption: The Series 2016A Bonds are subject to redemption prior to maturity as more fully described herein.

Tax Matters: In the opinions of Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, co-bond counsel to DASNY (collectively, "Co-Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016A 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 2016A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Co-Bond Counsel are also of the opinion that, under existing statutes, interest on the Series 2016A 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 11 - TAX MATTERS" herein regarding certain other tax considerations.

The Series 2016A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2016A Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Winston & Strawn LLP, New York, New York, and Drohan Lee LLP, New York, New York. DASNY expects to deliver the Series 2016A Bonds in definitive form in New York, New York, on or about October 21, 2016.

Loop Capital Markets **Raymond James**

Academy Securities, Inc.	Blaylock Beal Van, LLC	Cabrera Capital Markets, LLC
Drexel Hamilton	Duncan-Williams, Inc.	Janney Montgomery Scott LLC
KeyBanc Capital Markets Inc.	M&T Securities, Inc.	Mesirow Financial, Inc.
Mischler Financial Group, Inc.	Piper Jaffray & Co.	Baird
Rice Financial Products Company	Stern Brothers	U.S. Bancorp Investments, Inc.

October 14, 2016

$144,810,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK REVENUE REFUNDING BONDS, SERIES 2016A

Due July 1	Amount	Interest Rate	Yield	CUSIP Number[(1)]	Due July 1	Amount	Interest Rate	Yield	CUSIP Number[(1)]
2017	$12,180,000	3.000%	0.800%	64990HT59	2027	$1,860,000	5.000%	2.180%[(2)]	64990HU73
2018	11,770,000	5.000	1.000	64990HT67	2028	1,955,000	5.000	2.340[(2)]	64990HU81
2019	12,365,000	5.000	1.110	64990HT75	2029	935,000	5.000	2.440[(2)]	64990HU99
2020	12,970,000	5.000	1.230	64990HT83	2030	985,000	5.000	2.530[(2)]	64990HV23
2021	16,180,000	5.000	1.340	64990HT91	2031	1,030,000	5.000	2.600[(2)]	64990HV31
2022	17,000,000	5.000	1.450	64990HU24	2032	1,070,000	3.000	3.030	64990HV49
2023	17,105,000	5.000	1.580	64990HU32	2033	1,105,000	3.000	3.060	64990HV56
2024	14,675,000	5.000	1.760	64990HU40	2034	1,140,000	3.100	3.100	64990HV64
2025	16,325,000	5.000	1.910	64990HU57	2035	1,175,000	3.125	3.160	64990HV72
2026	1,770,000	5.000	2.030	64990HU65	2036	1,215,000	3.125	3.180	64990HV80

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(1) Copyright, American Bankers Association ("ABA"). CUSIP numbers have been assigned by CUSIP Global Services, which is managed on behalf of ABA by Standard & Poor's Capital IQ, a division of McGraw Hill Financial, Inc., and are provided solely for the convenience of the holders of the Series 2016A Bonds. DASNY is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2016A Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2016A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016A Bonds.

(2) Priced at the stated yield to the January 1, 2027 optional redemption date at a redemption price of 100% of the principal amount of Series 2016A Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

No dealer, broker, salesperson or other person has been authorized by DASNY, the Department, the State or the Underwriters to give any information or to make any representations with respect to the Series 2016A Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2016A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain information in this Official Statement has been supplied by the Department, the State Division of the Budget, DTC and other sources that DASNY believes are reliable. Neither the Underwriters nor DASNY guarantees the accuracy or completeness of such information, and such information is not to be construed as a representation of DASNY.

References in this Official Statement to the Act, the Resolution and the Agreement do not purport to be complete. Refer to the Act, the Resolution and the Agreement for full and complete details of their provisions. Copies of the Resolution and the Agreement are on file with DASNY and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of DASNY, the Department or the State have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016A BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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," "INTENT," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD LOOKING STATEMENTS. A NUMBER OF IMPORTANT FACTORS AFFECTING DASNY AND THE STATE'S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD LOOKING STATEMENTS.

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DASNY

DORMITORY AUTHORITY - STATE OF NEW YORK **515 BROADWAY, ALBANY, N.Y. 12207**
GERRARD P. BUSHELL – PRESIDENT **ALFONSO L. CARNEY, JR., ESQ. – CHAIR**

OFFICIAL STATEMENT RELATING TO

$144,810,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK REVENUE REFUNDING BONDS, SERIES 2016A

PART 1 - INTRODUCTION

Purpose of the Official Statement

The purpose of this Official Statement, including the cover page, inside cover page and appendices, is to provide information about DASNY, the State and the Department in connection with the offering by DASNY of $144,810,000 principal amount of Dormitory Authority of the State of New York Department of Health of the State of New York Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds").

The following is a description of certain information concerning the Series 2016A Bonds, DASNY and the Department. A more complete description of such information and additional information that may affect decisions to invest in the Series 2016A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2016A Bonds will be issued to refund certain outstanding Department of Health of the State of New York bonds issued by DASNY. Proceeds from the sale of the Series 2016A Bonds will be used (i) to provide, together with other available funds, for payment of the redemption price of and accrued interest to the redemption date of the Refunded Bonds (hereinafter defined) and (ii) to pay the Costs of Issuance of the Series 2016A Bonds. See "PART 6 – THE REFUNDING PLAN" and "PART 7 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

The Series 2016A Bonds will be issued pursuant to the Resolution, the Series 2016 Resolution and the Act. In addition to the Series 2016A Bonds, the Resolution authorizes the issuance of one or more Series of Bonds to finance the Costs of one or more Projects, pay the Costs of Issuance of such Series of Bonds, make payments to the Comptroller for deposit to the Health Income Fund, make deposits to the Building and Equipment Reserve Fund and to refund all or a portion of Outstanding Bonds or other notes or bonds of DASNY issued in connection with a Project. The Bonds permitted to be issued under the Resolution include Fixed Interest Rate Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other.

DASNY

DASNY is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain healthcare, educational, governmental and not-for-profit institutions. See "PART 8 - DASNY."

The Department

The Department is a civil department of the State Government. The mission of the Department is to ensure the availability of appropriate high-quality health services at reasonable cost to all State residents. See "PART 4 - THE DEPARTMENT OF HEALTH."

The Medical Care Facilities

Section 403 of the Public Health Law enumerates the facilities which are part of the Department: the Roswell Park Cancer Institute, the Helen Hayes Hospital, the New York State Home for Veterans and their Dependents at Oxford, the New York State Home for Veterans in the City of New York, the New York State Home for Veterans in Western New York and the New York State Home for Veterans in the Lower Hudson Valley. These facilities, other than the New York State Home for Veterans in the City of New York, are referred to herein as the "Medical Care Facilities." See "PART 5 - THE MEDICAL CARE FACILITIES."

The Series 2016A Bonds

The Series 2016A Bonds will be dated and bear interest from their date of issuance, payable each January 1 and July 1, commencing January 1, 2017. The Series 2016A Bonds will bear interest at the rates and mature at the times set forth on the inside cover page of this Official Statement. See "PART 3 - THE SERIES 2016A BONDS - Description of the Series 2016A Bonds."

Payment of the Series 2016A Bonds

The Series 2016A Bonds will be special obligations of DASNY payable solely from the Annual Payments to be made by the Department under the Agreement. Annual Payments are payable from moneys in the Health Income Fund upon appropriation by the State Legislature. Pursuant to the Resolution, such payments and DASNY's right to receive the same have been pledged to the Trustee. See "PART 2 - SOURCES OF PAYMENT AND SECURITY."

Security for the Series 2016A Bonds

The Series 2016A Bonds will be secured equally with all other Bonds issued or to be issued under the Resolution by the pledge and assignment to the Trustee of certain payments to be made by the Department to DASNY under the Agreement. Pursuant to the Agreement, DASNY has directed that the amount of such payments which constitute Annual Payments be paid directly to the Trustee. The Series 2016A Bonds will be secured by the Health Income Fund Assets and all funds and accounts established by the Resolution (with the exception of the Arbitrage Rebate Fund), which includes a Building and Equipment Reserve Fund. Neither a Project nor any security interest therein secures the payment of Bonds, including the Series 2016A Bonds. See "PART 2 - SOURCES OF PAYMENT AND SECURITY - Security for the Bonds."

The Series 2016A Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power.

The Refunding Plan

A portion of the proceeds of the Series 2016A Bonds, together with other available funds, will be used to refund certain of DASNY's Department of Health of the State of New York Revenue Bonds and Revenue Refunding Bonds (the "Refunded Bonds"), as more particularly described in "APPENDIX G - SUMMARY OF REFUNDED BONDS" hereto.

PART 2 - SOURCES OF PAYMENT AND SECURITY

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment and security for the Bonds, including the Series 2016A Bonds, issued under the Resolution. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series 2016 Resolution and the Agreement for a more complete description of such provisions. Copies of the Resolution, the Series 2016 Resolution and the Agreement are on file with DASNY and the Trustee. See also "Appendix C - Summary of Certain Provisions of the Agreement" and "Appendix D - Summary of Certain Provisions of the Resolution."

Payment of the Bonds

Special Obligations

The Bonds issued under the Resolution, including the Series 2016A Bonds, are special obligations of DASNY payable solely from the Revenues and all funds and accounts established by the Resolution (excluding the Arbitrage Rebate Fund). The Revenues include the Annual Payments to be made by the Department to the Trustee pursuant to the Agreement (excluding payments for such Trustee's fees and expenses and payments for deposit in the Arbitrage Rebate Fund). The Revenues and DASNY's right to receive them have been pledged for the benefit of the Holders of the Bonds, including the Series 2016A Bonds.

DASNY has no taxing power and the Bonds are not a debt of the State nor shall the State be liable thereon.

Health Income Fund

The Department is obligated by law to pay all patient care revenues, together with other miscellaneous receipts, received by the Department from the operation of the Medical Care Facilities into the Health Income Fund, which is maintained as a separate account by the Comptroller. Annual Payments and operating expenses of the Medical Care Facilities are paid from revenues and receipts in the Health Income Fund. The Comptroller is required by law to maintain in the Health Income Fund the aggregate amount of money needed by the Department during the next succeeding six months to meet the Department's obligations to DASNY under the Agreement. Any balance in excess of such requirement is to be transferred by the Comptroller to help pay other expenses relating to the Medical Care Facilities. On the date of delivery of the Series 2016A Bonds, the Comptroller is required to have on deposit in the Health Income Fund an amount equal to its requirement. The maintenance of the required amount in the Health Income Fund and payment of other components of the Annual Payments are dependent upon the continued receipt of patient care revenues. See "PART 4 -THE DEPARTMENT OF HEALTH - The Health Income Fund."

Under the Agreement, the Health Income Fund Assets are pledged as security to DASNY. Such moneys are assigned by DASNY to the Trustee under the Resolution. Each such assignment is subject to the application of moneys in excess of the amount required to be maintained in the Health Income Fund.

Annual Payments

Annual Payments will be made, subject to appropriation, from amounts on deposit in the Health Income Fund. The Annual Payments are required in amounts sufficient to pay debt service on Outstanding Bonds, as such debt service becomes due, and to maintain the Building and Equipment Reserve Fund at its requirement. The Annual Payments are to be paid by the Department directly to the Trustee in semiannual installments payable on November 15 and May 15 of each Bond Year. Each installment must at least equal (i) the interest payable on Outstanding Bonds on or prior to the next succeeding January 1 or July 1, respectively; (ii) the interest on Outstanding Variable Interest Rate Bonds estimated by DASNY to be payable on or prior to the next succeeding January 1 or July 1, respectively; (iii) one-half of the principal and Sinking Fund Installments, if any, of the Outstanding Bonds payable on the next succeeding July 1; (iv) such amount, if any, as shall be necessary to provide for the repayment in accordance with the Agreement of amounts withdrawn from the Building and Equipment Reserve Fund; (v) on May 15 of each Bond Year, the amount, if any, as shall have been set forth in a certificate of the Trustee made pursuant to the Resolution as necessary on June 30 of the immediately preceding calendar year to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement; and (vi) at least 30 days prior to any date on which the Redemption Price of Bonds previously called for redemption is to be paid, the amount required to pay the Redemption Price of such Bonds. See "- Building and Equipment Reserve Fund" below.

State Appropriation

Appropriation for Annual Payments and Operations. Annual Payments shall be paid by the Department, upon the appropriation by the State Legislature, from patient care revenues and other miscellaneous receipts received by the Department from the operation of the Medical Care Facilities and deposited into the Health Income Fund. The State is not bound or obligated to make such appropriations. The Department is obligated to make payments only to the extent that amounts are on deposit in the Health Income Fund. If the Department is not able to make a payment because of insufficient funds in the Health Income Fund and other moneys are not legally available to the Department for such purpose, the Department has agreed to bring the matter to the attention of the appropriate officials of the State in an attempt to obtain the funds necessary to make any unpaid payment.

All operating expenses of the Medical Care Facilities are paid from moneys appropriated by the State Legislature from patient care revenues and other miscellaneous receipts. Annual Payments are payable from amounts held in the Health Income Fund which are derived from operation of the Medical Care Facilities and subject to appropriation by the State Legislature. Accordingly, the payment of Annual Payments is dependent on the continued and successful operation of the Medical Care Facilities. The successful maintenance and operation of the Medical Care Facilities are dependent on the sufficiency of revenues and receipts and ability and willingness of the State Legislature to continue making appropriations in the amounts required for the operations of the Medical Care Facilities. There can be no assurance that State funds will be appropriated or available in amounts contemplated or required by the Department to operate the Medical Care Facilities. Consequently, the ability of the Department to continue to operate the Medical Care Facilities is dependent in part on the State's financial condition. For a discussion of recent events affecting the State's financial condition as well as financial and other data relating to the State, see "Appendix B - Information Concerning the State of New York."

Limitations of Appropriations. The Department's obligation to pay the Annual Payments is dependent upon an annual appropriation by the State Legislature and the availability of moneys for such payments. The payment of operating expenses of the Medical Care Facilities is also dependent upon annual appropriation by the State Legislature. The determination of the amount to be appropriated by the State is a legislative act and the State is not legally obligated and cannot be compelled to appropriate moneys for the payment of the Annual Payments or the operating costs of the Medical Care Facilities.

The failure to make an appropriation will not constitute an event of default under the Resolution or the Agreement. However, if the State Legislature appropriates moneys for the payment of the Annual Payments and the appropriation has not lapsed or been repealed, the Department's obligation to pay the Annual Payments will be enforceable up to the amount appropriated and available therefor and the failure of the Department to pay the Annual Payments will be an event of default under the Agreement.

The Agreement and the Department's obligation to pay the Annual Payments do not constitute a debt of the State under or within the meaning of the State Constitution or the State Finance Law of the State.

Operation of the Medical Care Facilities

The Medical Care Facilities are occupied and operated by the Department, except for the Roswell Park Cancer Institute, which is managed by Roswell Park Cancer Institute Corporation. The Agreement provides that the Department will continue to occupy and operate the Medical Care Facilities.

Defaults and Remedies under the Agreement

The following are events of default under the Agreement: (i) the failure by the Department, from moneys appropriated and available to it, to pay the Annual Payments within ten days after payment is due or to pay any other payment under the Agreement within 30 days after payment is due; (ii) as a result of a default in payment or performance by the Department under the Agreement, DASNY defaults in the payment or performance of any of its obligations under the Resolution; (iii) section 403 of the Public Health Law is amended in the future to remove one or more of the Medical Care Facilities from the Department's facilities; (iv) the moneys which the Commissioner is directed to pay to the Comptroller to be deposited by the Comptroller in the Health Income Fund are not paid to the Comptroller and deposited in the Health Income Fund; (v) the Comptroller shall not have on deposit the aggregate amount of money needed by the Department during the next succeeding six calendar months to make Annual

Payments relating to such period; or (vi) the duties or responsibilities of the Comptroller under Section 409 of the Public Health Law are amended or modified so as to impair in any material respect the Department's ability to pay the Annual Payments when due or to comply with any other of its obligations under the Agreement.

Upon the occurrence of any event of default under the Agreement, DASNY may exercise any remedies available by law. For a more complete description of the defaults and remedies under the Agreement, see "Appendix C - Summary of Certain Provisions of the Agreement."

Security for the Bonds

The Bonds, including the Series 2016A Bonds, are secured by a first lien on the Health Income Fund Assets and a first lien on the Revenues, and the funds and accounts established under the Resolution (with the exception of the Arbitrage Rebate Fund), which includes a Building and Equipment Reserve Fund. DASNY has pledged to the Trustee its right to receive the portion of the Annual Payments constituting the Revenues. Under the Agreement, DASNY has directed, and the Department has agreed, that such portion of the Annual Payments be paid directly to the Trustee. Following the issuance of the Series 2016A Bonds and refunding of the Refunded Bonds, Bonds under the Resolution will be Outstanding in the amount of $177,715,000.

DASNY has covenanted for the benefit of the Holders of Bonds that, except as described below, it will not create or cause to be created any lien or charge upon the Revenues, the proceeds of the Bonds or the funds or accounts established under and pledged by the Resolution which is prior or equal to the pledge made by the Resolution. DASNY, however, has reserved the right to pledge and create liens upon the Revenues to secure any obligation of DASNY to the issuer of a Credit Facility or a Liquidity Facility obtained in connection with the Bonds. Such pledges or liens may be of equal priority with the pledge and lien created by the Resolution.

Health Income Fund Assets

The Department, as authorized by Section 409 of the Public Health Law, has pledged and assigned to DASNY (subject to the power to pay out excess moneys in the Health Income Fund to RPCI and the DOH Hospital Holding Account as described herein) all moneys and investments held at any time in the Health Income Fund as security for payment of the Annual Payments and other payments due or which become due from the Department pursuant to the Agreement. The pledge and assignment will continue and be enforceable even if the Department's obligations to make payments under the Agreement are not enforceable, in whole or in part, because either the amount in the Health Income Fund is not sufficient or the State has failed to appropriate the moneys in the Health Income Fund for such payments. DASNY has pledged and assigned its interest in the assets of the Health Income Fund to the Trustee to secure its obligations to the Bondholders.

Building and Equipment Reserve Fund

The Building and Equipment Reserve Fund is established by DASNY under the Resolution. The Resolution does not prescribe a minimum amount for the Building and Equipment Reserve Fund Requirement and the requirement established by DASNY may be changed at any time. DASNY has established the Building and Equipment Reserve Fund Requirement at $15,460,081.

The Building and Equipment Reserve Fund is available to pay debt service on the Bonds, including the Series 2016A Bonds, to the extent moneys are on deposit therein. The Agreement provides that the amount necessary to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement following a withdrawal therefrom to pay debt service on the Bonds is to be included in the Annual Payments in two equal semi-annual payments payable by the Department on November 15 and May 15 of the next succeeding Bond Year.

Subject to the foregoing, moneys in the Building and Equipment Reserve Fund may be used to pay the costs, other than ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving any Project and its equipment and to the renewal, replacement and repair of damaged property of any Project. Amounts withdrawn for such purposes are to be repaid by the Department in ten equal semi-annual payments commencing on May 15 of the Bond Year following the Bond Year during which such withdrawal was made.

The Building and Equipment Reserve Fund was initially funded with deposits aggregating $15,460,081. Portions of such deposits were withdrawn for renewing, repairing, renovating and improving Projects and the amount on deposit in the Building and Equipment Reserve Fund as of September 30, 2016 is $9,642,229. The amounts withdrawn are scheduled to be repaid pursuant to the Agreement in separate semi-annual payments of (i) $180,000 commencing May 15, 2012 and continuing through and including November 15, 2016; (ii) $299,840 commencing May 15, 2015 and continuing through and including November 15, 2019; and (iii) $400,000 commencing May 15, 2016 and continuing through and including November 15, 2020. Notwithstanding the foregoing, when the amounts on deposit in the Building and Equipment Reserve Fund (including any investment earnings of the amounts on deposit therein) are restored to equal $15,460,081, no further repayments shall be required to be made by the Department with respect to the amounts withdrawn as of September 30, 2016.

Moneys in the Building and Equipment Reserve Fund in excess of the Building and Equipment Reserve Fund Requirement established by DASNY may be withdrawn and applied in accordance with the Resolution. See "Appendix D - Summary of Certain Provisions of the Resolution."

Events of Default and Remedies

The following are events of default under the Resolution: (i) a default in the payment of the principal, Sinking Fund Installments or Redemption Price of or interest on any Bonds; (ii) DASNY shall default in the due and punctual performance of the tax covenants contained in the Resolution and as a result thereof, interest on the Series 2016A Bonds becomes includable in gross income for federal income tax purposes; and (iii) a default by DASNY in the due and punctual performance of any other covenant, condition, agreement or provision contained in the Series 2016A Bonds or in the Resolution which continues for 30 days after written notice thereof is given to DASNY by the Trustees (such notice to be given at the Trustee's discretion or at the written request of Holders of not less than 25% in principal amount of Outstanding Bonds).

The Resolution provides that if an event of default occurs and continues, the Trustee may, and upon written request of the Holders of not less than 25% in principal amount of the Outstanding Bonds, shall (i) declare the Outstanding Bonds to be due and payable; (ii) by suit, action or proceeding in equity or at law, enforce all rights of the Bondholders under the Resolution and the laws of the State; (iii) bring suit upon the Bonds against DASNY; (iv) bring suit for the specific performance of any covenant under the Resolution or execution of any power granted in the Resolution; (v) by an action or suit, require DASNY to account as if it were the trustee of an express trust for the Holders of the Series 2016A Bonds; or (vi) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Series 2016A Bonds.

The Resolution provides that the Trustee is to give notice in accordance with the Resolution of each event of default known to the Trustee to the Holders within 30 days after the Trustee obtains knowledge of the occurrence thereof, unless such default has been remedied or cured before the giving of such notice. However, except in the case of default in the payment of principal or Redemption Price of or interest on any of the Bonds, the Trustee will have no liability for withholding such notice if the Trustee in good faith determines that withholding notice is in the best interests of the Holders of the Bonds. See "Appendix D – Summary of Certain Provisions of the Resolution."

General

The Series 2016A Bonds will not be a debt of the State nor will the State be liable thereon. DASNY has no taxing power. See "PART 8 - DASNY."

PART 3 - THE SERIES 2016A BONDS

Description of the Series 2016A Bonds

The Series 2016A Bonds are being issued pursuant to the Resolution and the Series 2016 Resolution and will be dated their date of issuance and will bear interest, payable each January 1 and July 1, commencing January 1, 2017, at the rates and mature at the times set forth on the inside cover page of this Official Statement.

The Series 2016A Bonds will be issued as fully registered bonds. The Series 2016A Bonds will be issued in denominations of $5,000 or any integral multiple thereof. The Series 2016A Bonds will be registered in the name of Cede & Co., as nominee of DTC pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2016A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued, the Series 2016A Bonds will be exchangeable for other fully registered certificated Series 2016A Bonds in any authorized denominations of the same series, maturity and interest rate. See "THE SERIES 2016A BONDS - Book-Entry Only System" herein. The Trustee may impose a charge sufficient to reimburse DASNY or the Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2016A Bond. The cost, if any, of preparing each new Series 2016A Bond issued upon such exchange or transfer, and any other expenses of DASNY or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

The principal and Redemption Price of and interest on the Series 2016A Bonds will be payable in lawful money of the United States of America. The principal or Redemption Price of the Series 2016A Bonds will be payable at the principal corporate trust office of the Trustee. Interest on the Series 2016A Bonds will be payable by check or draft mailed to the registered owners thereof at their addresses as shown on the registration books held by the Trustee. Interest is payable to the registered owners who are such registered owners at the close of business on the fifteenth day of the calendar month next preceding an interest payment date. Such Bondholders may receive the Redemption Price by wire transfer at the address in the continental United States specified by such Bondholder in a written request to the Trustee not later than upon presentation and surrender to the Trustee of the Series 2016A Bond to be redeemed.

For a more complete description of the Series 2016A Bonds, see "Appendix D–Summary of Certain Provisions of the Resolution."

Redemption Provisions

The Series 2016A Bonds are subject to redemption as described below.

Optional Redemption. The Series 2016A Bonds maturing on or before July 1, 2026, are not subject to optional redemption prior to maturity. The Series 2016A Bonds maturing after July 1, 2026, are subject to redemption prior to maturity on or after January 1, 2027, in any order, at the option or direction of DASNY, as a whole or in part at any time, at a redemption price equal to 100% of the principal amount of the Series 2016A Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption.

Selection of Series 2016A Bonds to be Redeemed. In the case of Series 2016A Bonds to be redeemed at the option or direction of DASNY, DASNY will select the maturities of the Series 2016A Bonds to be redeemed. If less than all of the Series 2016A Bonds of a maturity are to be redeemed, the Series 2016A Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee deems proper in its discretion.

Notice of Redemption. The Trustee is to give notice of the redemption of Series 2016A Bonds in the name of DASNY by first-class mail not less than 30 days nor more than 45 days prior to the redemption date to the registered owners of any Series 2016A Bonds which are to be redeemed, at their last known addresses appearing on the registration books. The failure of any owner of a Series 2016A Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2016A Bond.

If, on the redemption date, moneys for the redemption of Series 2016A Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the redemption price, then interest on such Series 2016A Bonds will cease to accrue from and after the redemption date and such Series 2016A Bonds will no longer be considered to be Outstanding under the Resolution.

Debt Service Requirements

The following table sets forth the amounts required to be paid by the Department during each twelve-month period ending June 30 of the years shown for the payment of the debt service on Outstanding Bonds, other than the Series 2016A Bonds, payment of principal of, interest on and the total debt service on the Series 2016A Bonds during each such period, and the aggregate payments to be made by the Department during each such period with respect to debt service on the Series 2016A Bonds and the other Bonds Outstanding under the Resolution:

Year Ending June 30	Debt Service On Outstanding Bonds[1][2]	Series 2016A Bonds			Aggregate Debt Service
		Principal	Interest	Total Debt Service	
2017	$6,445,938	$12,180,000	$4,782,589	$ 16,962,589	$23,408,526
2018	6,450,438	11,770,000	6,521,528	18,291,528	24,741,965
2019	6,447,438	12,365,000	5,933,028	18,298,028	24,745,465
2020	6,451,688	12,970,000	5,314,778	18,284,778	24,736,465
2021	3,232,188	16,180,000	4,666,278	20,846,278	24,078,465
2022	3,252,650	17,000,000	3,857,278	20,857,278	24,109,928
2023	3,244,400	17,105,000	3,007,278	20,112,278	23,356,678
2024	3,234,400	14,675,000	2,152,028	16,827,028	20,061,428
2025		16,325,000	1,418,278	17,743,278	17,743,278
2026		1,770,000	602,028	2,372,028	2,372,028
2027		1,860,000	513,528	2,373,528	2,373,528
2028		1,955,000	420,528	2,375,528	2,375,528
2029		935,000	322,778	1,257,778	1,257,778
2030		985,000	276,028	1,261,028	1,261,028
2031		1,030,000	226,778	1,256,778	1,256,778
2032		1,070,000	175,278	1,245,278	1,245,278
2033		1,105,000	143,178	1,248,178	1,248,178
2034		1,140,000	110,028	1,250,028	1,250,028
2035		1,175,000	74,688	1,249,688	1,249,688
2036	-	1,215,000	37,969	1,252,969	1,252,969
TOTAL	$**38,759,138**	**$144,810,000**	**$40,555,862**	**$185,365,862**	**$224,125,000**

(1) Totals may not add due to rounding.
(2) Excludes debt service on Outstanding Bonds that are being refunded by the Series 2016A Bonds.

Book-Entry Only System

Payment of principal of, premium, if any, and interest on the Series 2016A Bonds will be made directly to The Depository Trust Company ("DTC"), New York, New York, or its nominee, Cede & Co., by the Trustee. In the event the Series 2016A Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on the Series 2016A Bonds will be made as described in the Resolution.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from DTC and DASNY takes no responsibility for the completeness or accuracy thereof. DASNY cannot and does not give any assurances that DTC, DTC Direct Participants or DTC Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2016A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2016A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2016A Bonds, or that they will so do on a timely basis, or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described under this heading. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2016A Bonds. The Series 2016A Bonds are issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2016A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016A 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 2016A 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 the Series 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016A 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 2016A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2016A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2016A Bonds may wish to ascertain that the nominee holding the Series 2016A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2016A Bonds of a particular maturity are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant the Series 2016A Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016A 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 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Series 2016A 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 the payment 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 (nor its nominee), the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Series 2016A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of DASNY or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2016A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2016A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2016A 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 2016A 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 2016A 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.

For every transfer and exchange of beneficial ownership of any of the Series 2016A Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as depository with respect to the Series 2016A Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2016A 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). In that event, Series 2016A Bond certificates will be printed and delivered.

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.

NONE OF DASNY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR

BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY DASNY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2016A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016A Bonds (other than under the caption "PART 11 - TAX MATTERS" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2016A Bonds.

PART 4 - THE DEPARTMENT OF HEALTH

General

The Department is a civil department of the State Government created pursuant to Article 2 of the Public Health Law.

The mission of the Department is to ensure the availability of appropriate high quality health services at reasonable cost to all State residents. The Department's responsibilities include:

1. Promoting and supervising public health activities throughout the State;
2. Ensuring sound, cost-effective medical care for all residents; and
3. Reducing the heavy toll taken by chronic disabling illnesses, including heart disease, cancer, stroke and respiratory diseases.

These objectives are achieved through a coordinated network of administrative units, including the Department's major operating arms, the Office of Public Health ("OPH"), the Office of Primary Care and Health Systems Management ("OPCHSM") and the Office of Health Insurance Programs ("OHIP") and through a system of area and field offices that conduct health facility surveillance, public health monitoring and direct public health activities. The Department is the agency designated for administering Federal moneys allotted for health work under the Public Health Service Act, the Social Security Act and other Federal authorizations. Single State agency responsibilities under Title 19 of the Social Security Act for the Medical Assistance Program were transferred from the former Department of Social Services to the Department in legislation enacted in 1996 and 1997. Finally, the Department operates facilities engaged in advanced medical research and patient care through its Health Facilities Management Group.

The Department currently carries out its responsibilities through 15 budgetary programs: Administrative and Executive Direction; Center for Environmental Health; Center for Community Health; AIDS Institute; Wadsworth Center for Laboratories and Research; Office of Primary Care and Health Systems Management; Office of Health Insurance Programs; Medical Assistance Program; Medical Assistance Administration Program; Child Health Insurance Program ("CHIP"); Basic Health Plan; Medical Marijuana; Elderly Pharmaceutical Insurance Coverage ("EPIC") Program; HCRA; and the Health Facilities Management Program.

The State's Public Health Law enumerates six facilities as part of the Department: the Roswell Park Cancer Institute (the "Institute"), the Helen Hayes Hospital (the "Hospital"), the New York State Home for Veterans and their Dependents at Oxford (the "Oxford Veterans Home"), the New York State Home for Veterans in the City of New York (the "NYC Veterans Home"), the New York State Home for Veterans in Western New York (the "WNY Veterans Home") and the New York State Home for Veterans in the Lower Hudson Valley (the "HV Veterans Home"). The Legislature has the power to decide whether or not the Department will continue to operate and maintain any of these facilities or programs. In 1999, the State transferred operating responsibility for the Institute to a separate public benefit corporation, Roswell Park Cancer Institute Corporation ("RPCI"). The Legislature also may decide in the future to add by legislation additional facilities to the Department.

Fiscal Structure of the Department

The Department receives annual appropriations from the Legislature to operate all authorized programs and to provide specific services.

The Legislature appropriates moneys from the State's General Fund to the Department to meet the operational costs of the Department for program operations not otherwise supported by Federal or other funds. Within the total amount appropriated, funds may be interchanged or transferred between programs upon recommendation of the Commissioner of Health (the "Commissioner") and the approval of the State Budget Director, according to the formula established in the State Finance Law. These moneys are not available for deposit to the Health Income Fund.

The Legislature appropriated $7,600,000 from the State's Capital Projects Fund for FY 2017 for repairs and maintenance of the Hospital, the Oxford Veterans Home, the NYC Veterans Home, the WNY Veterans Home, and the HV Veterans Home.

In addition to the appropriation of State funds, the Legislature also appropriates moneys made available by the Federal government for Department programs. None of the funds allocated by Federal agencies to the Department have been appropriated for the Hospital, the Oxford Veterans Home, the NYC Veterans Home, the WNY Veterans Home or the HV Veterans Home.

The FY 2017 Enacted Budget includes funds appropriated to the Department from 65 Special Revenue Accounts including, pursuant to Chapter 433 of the Laws of 1997, accounts supporting the operating budget for the Hospital, the Oxford Veterans Home, the NYC Veterans Home, the WNY Veterans Home and the HV Veterans Home. Revenue is deposited in the self-supporting accounts from fees, assessments and other charges as specified in law or regulation. Expenditures from these accounts are limited to the specific purpose of the individual account. (See PART 4 – THE DEPARTMENT OF HEALTH – DOH Hospital Holding Account and Facility-Specific Operating Accounts.)

Patient care revenues received by the Department relating to the NYC Veterans Home are deposited into the NYC Veterans Home Income Fund. Amounts in excess of that required to be held by the Comptroller in the NYC Veterans Home Income Fund are directly transferred periodically to the New York City Veterans Home Account, which was also authorized by Chapter 433 of the Laws of 1997. Funds in the New York City Veterans Home Account are appropriated for operation of the NYC Veterans Home.

The amounts on deposit in the NYC Veterans Home Income Fund and the New York City Veterans Home Account do not secure the payment of amounts due under the Agreement.

The Health Income Fund

The Health Income Fund is established in the custody of the Comptroller pursuant to Section 409 of the Public Health Law. The moneys on deposit in the Health Income Fund are kept separate and are not commingled with any other moneys held by the Comptroller. All of the revenues received by the Department for the care, maintenance and treatment of patients at the Institute, the Hospital, the Oxford Veterans Home, the WNY Veterans Home and the HV Veterans Home, together with certain other moneys and miscellaneous receipts less certain payments and refunds made pursuant to law, are paid by the Commissioner to the Comptroller for deposit in the Health Income Fund. The revenues received by the Department for the care, maintenance and treatment of these patients come from Medicare, Medicaid, Blue Cross, VA reimbursement, private insurance companies and from the patients directly. Pursuant to Chapter 293 of the Laws of 1992, a clinical practice plan has been established at the Institute which provides for the collection and disbursement of clinical practice income resulting from the clinical practice of licensed health professionals employed by the Institute. Such clinical practice income is not included as part of the revenues of the Institute or the Health Income Fund.

Section 409 of the Public Health Law requires that the Comptroller maintain at all times in the Health Income Fund the amount of money needed by the Department during the next succeeding six calendar months to comply in full with all obligations of the Department under the Agreement, including amounts necessary to make debt service payments under the Agreement during such period and to establish and maintain reserves. The Comptroller, at least biweekly, is required to pay to RPCI any moneys in the Health Income Fund which the

Commissioner attributes to the operation of the Institute and which are in excess of the amount required to be maintained by the Comptroller in the Health Income Fund pursuant to Public Health Law Section 409. As discussed below under the subheading "DOH Hospital Holding Account and Facility-Specific Operating Accounts," the Comptroller from time to time, but in no event later than the last day of March, June, September and December of each year is required to deposit to the DOH Hospital Holding Account all moneys in the Health Income Fund in excess of the amount required to be maintained in the Health Income Fund described above. These moneys, in turn, are transferred to the Helen Hayes Hospital Account, the New York State Home for Veterans and Their Dependents at Oxford Account, the Western New York Veterans Home Account, and the New York State Home for Veterans in the Lower Hudson Valley Account. This transfer from the DOH Hospital Holding Account to these four accounts is based upon the relative amounts the Hospital, the Oxford Veterans Home, the WNY Veterans Home and the HV Veterans Home, respectively deposit into the Health Income Fund. The moneys in the Health Income Fund shall be paid out on the audit and warrant of the Comptroller on vouchers approved by the Commissioner or his designee. Subject to the power to pay out such excess moneys in the Health Income Fund to RPCI and the DOH Hospital Holding Account, the Department in the Agreement has pledged and assigned to DASNY, all moneys in the Health Income Fund and all moneys which may be received by the Department and credited to the Health Income Fund.

Revenues on an audited cash, rather than an accrual, basis generated during FY 2012 through FY 2015, preliminary revenues for FY 2016 and estimated revenues for FY 2017, for the Institute, the Hospital, the Oxford Veterans Home, the WNY Veterans Home, and the HV Veterans Home as deposited in the Health Income Fund, are listed in the table below. The table also reflects the manner in which the revenues were used or are expected to be used (i.e., actual payments for debt service and transfers to the operating accounts or the RPCI for each year) as well as the ratio of Receipts in Health Income Fund to Health Income Fund Debt Service Payments ("Debt Service Coverage").

HEALTH INCOME FUND
(thousands of dollars,
other than ratios)

State Fiscal Year Ended March 31	Receipts in Health Income Fund	Health Income Fund Debt Service Payments[(1)]	Available for Transfer to Facility-Specific Operating Accounts or RPCI[(1)]	Debt Service Coverage
2012	$466,592	$28,669	$437,923	16x
2013	506,348	28,165	478,183	18x
2014	524,701	27,882	496,819	19x
2015	572,538	28,330	544,208	20x
2016 (Prelim)	605,836	28,628	577,208	21x
2017 (Est.)	612,299	29,650	582,649	21x

Source: Department of Health.

(1) Available fund balance may be increased or decreased, depending on the need to set aside future debt service payments, which would result in the transfer amount being adjusted accordingly.

DOH Hospital Holding Account and Facility-Specific Operating Accounts

The DOH Hospital Holding Account is a special account established by the Comptroller. At any time, but no later than the last day of each March, June, September and December, amounts in the Health Income Fund in excess of the amount required to be maintained therein or paid to RPCI are paid over by the Comptroller to the DOH Hospital Holding Account, and transferred, respectively, to the Helen Hayes Hospital Account, the New York State Home for Veterans and Their Dependents at Oxford Account, the Western New York Veterans Home Account, and the New York State Home for Veterans in the Lower Hudson Valley Account. The moneys in these four accounts are generally available for paying the costs related to the provision of health services to patients at the respective Medical Care Facilities to which each such Account relates, including the payment of costs for research, training, personal services and the costs of operating and maintaining such Medical Care Facilities. Pursuant to Chapter 293 of the Laws of 1992 and Chapter 505 of the Laws of 1995, the moneys become available, respectively, from these facility-specific operating accounts when the Commissioner executes a certificate of allocation and schedule of amounts to be available therefore. The moneys are payable from these operating accounts upon audit and warrant of the Comptroller on vouchers approved by the Commissioner or his designee. See "- The Health Income Fund" hereinabove for information on RPCI revenue.

Sources of Operating Funds

The following table reflects the Department's State Operations appropriations for the Hospital, the Oxford Veterans Home, the NYC Veterans Home, the WNY Veterans Home and the HV Veterans Home. As such this represents the maximum authority to spend, or budgeted levels, as approved by the Legislature and does not necessarily reflect actual spending levels.

State Fiscal Year Ended March 31	Appropriated for Facility-Specific Operating Accounts [(1)(2)]
2012	$148,753,000
2013	148,753,000
2014	148,753,000
2015	147,962,000
2016	147,962,000
2017[(3)]	147,962,000

(1) Exclusive of minor amounts available for patient benefits from gifts and bequests.

(2) These funds are transferred to individual Special Revenue Fund-Other accounts supporting the respective operating budgets of the Hospital, the Oxford Veterans Home, the NYC Veterans Home, the WNY Veterans Home and the HV Veterans Home. The amounts shown here are from revenues derived from these facilities and vary in some degree from the revenues of such facilities as reflected in their financial statements for the years indicated, due to differences in accounting procedures and other factors.

(3) Reflects the FY 2017 Enacted Budget.

Employees and Indemnity

As of March 31, 2016 the Department employed approximately 4,920 full-time equivalent employees, including approximately 1,520 personnel at the Hospital, the Oxford Veterans Home, the WNY Veterans Home, the HV Veterans Home and the NYC Veterans Home. (Individuals at the Institute are considered employees of the RPCI rather than the Department and are not included as part of this number.) Employees of the Department are State employees. Section 17 of the Public Officers Law requires the State to save harmless and indemnify its employees from financial loss arising out of any claim, demand, suit or judgment by reason of alleged intentional wrong doing, negligence or other act by State employees provided that the employee was acting in the scope of his duties and did not commit a willful or wrongful act. The law further provides that the Attorney General may represent such employees.

Malpractice Claims

Any actions involving malpractice claims brought against the Department are actions brought against the State itself. The State does not carry insurance with respect to malpractice claims and is a self-insurer for the payment of any judgments which may be rendered against the State for any such actions.

PART 5 - THE MEDICAL CARE FACILITIES

General

Section 403 of the Public Health Law enumerates the facilities which are part of the Department: the Institute, the Hospital, the Oxford Veterans Home, the NYC Veterans Home, the WNY Veterans Home and the HV Veterans Home. Revenues for all facilities, except the NYC Veterans Home, are deposited in the Health Income Fund.

Roswell Park Cancer Institute – Buffalo, NY

The Institute was founded in 1898 and became a State Institute in 1911. In 1971, it was one of the first three institutions certified as a comprehensive cancer center by the National Cancer Institute. As such, it is committed to combat cancer through basic research, clinical research and treatment, and professional and public education. There are 45 such centers designated in the United States. The Institute is a facility licensed for 133 beds, and an ambulatory care center containing 22 multidisciplinary care centers with a staff of over 3,000 members, including clinical staff physicians, residents, fellows, and research staff.

In order to meet the demands of the changing health care marketplace and to promote the strengths and capabilities of the Institute, Chapter 5 of the Laws of 1997 added a new Title 4 to Article 10-c of the Public Authorities Law authorizing the RPCI. This legislative authorization was intended to change the Institute's governance structure to afford it market and managerial flexibility. Among the special powers granted by the legislation to RPCI were the powers to contract with the State to operate, manage, superintend and control the Institute, and to establish, collect, and adjust fees, rental and other charges in connection with the operation of the Institute.

Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department, acting on behalf of the State, entered into an Operating Agreement with RPCI pursuant to which operating responsibility for the Institute was transferred to RPCI effective January 1, 1999, and giving RPCI substantial independence in operating the Institute, including the power to establish operating budgets, to establish and implement strategic business plans, to create subsidiary and affiliated entities, to enter into affiliations and alliances with other health care providers and to establish, collect and adjust fees, rentals and other charges in connection with the operation of the Institute.

Revenues generated by RPCI as a result of operating the Institute continue to be revenues of the State and are required to be deposited into the Health Income Fund for payment of debt service on the Bonds. After allowing for accumulation of the amount the Comptroller is required to maintain in the Health Income Fund pursuant to Public Health Law Section 409 and a reserve for refunds, the remaining revenues which the Commissioner attributes to the operations of RPCI are transferred to RPCI at least biweekly by the Comptroller.

The following table provides historic utilization data for the Institute for the four most recent fiscal years, preliminary for FY 2016 and estimated for FY 2017.

State Fiscal Year Ended March 31	Annual Average Beds in Service	Annual Average Inpatient Occupancy Rate(1)	Outpatient Visits
2012	123	81%	201,554
2013	127	84	204,450
2014	132	79	199,960
2015	133	78	201,490
2016 (Prelim.)	133	81	215,424
2017 (Est.)	133	81	218,895

(1) Based on annual average beds in service. Annual average beds in service during the reporting period represent a better point of comparison for the Institute's performance than its certified 133 bed level.

The Institute has undergone several key transitions, including a major modernization of its Buffalo campus and a change in governance as noted above. RPCI's responsibility is to ensure the fiscal and programmatic integrity of the facility. The Institute is affiliated with the University of New York at Buffalo and has numerous affiliation agreements with other educational institutions and hospitals. Training provided by the Institute under these agreements include medical, nursing and medical research. For the fiscal year ending March 31, 2017, the Institute is projected to generate 80 percent of the patient care revenues deposited in the Health Income Fund.

Helen Hayes Hospital – Haverstraw, NY

The Hospital was established in 1900 primarily to provide care to children with disabilities. Since then, and particularly in recent years, the patient population and the services provided have changed dramatically. The Hospital has evolved into a comprehensive rehabilitation center offering a multi-specialty approach to medical rehabilitation and treatment of chronic diseases as well as specialized surgical services. The Hospital is the largest freestanding rehabilitation center in New York State. Research is also an integral component of the Hospital's operation and it also involves unique protocol studies directed at treatment and prevention of disabling diseases such as osteoporosis. In addition, the Hospital has established a 25-bed Skilled Nursing Unit and Transitional Rehabilitation Center to increase the continuum of services provided to patients.

The following table provides historic utilization data for the Hospital for the four most recent fiscal years, preliminary for FY 2016 and estimated for FY 2017.

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate	Outpatient Visits
2012	60%	60,612
2013	63	53,403
2014	63	55,087
2015	66	50,800
2016 (Prelim.)	69	56,000
2017 (Est.)	66	56,000

The Hospital has been subject to the same market forces that have affected other acute care facilities in New York State. As a specialized rehabilitation facility, the Hospital must attract and retain a specialized staff, particularly in the various rehabilitation therapies. The national shortage of skilled medical professionals experienced over the past several years has had an impact on the Hospital's ability to maintain and increase its outpatient volume.

The Hospital is affiliated with Columbia University's College of Physicians and Surgeons in a formal residency program and the College participates with the Hospital in developing teaching and service programs. Pursuant to an affiliation agreement, New York Presbyterian Hospital serves as the Hospital's contracting agent for the employment of physicians and physical therapists for the Hospital. For the fiscal year ending March 31, 2017, the Hospital is projected to generate 9 percent of the patient care revenues deposited in the Health Income Fund.

New York State Veterans Home at Oxford – Oxford, NY

The Oxford Veterans Home admitted its first residents in 1897, when its primary mission was to provide room and board for Civil War veterans and their wives and other dependents. Historically, admission was limited to veterans and their dependents of U.S. wars through World War II and was prioritized by earliest service. Recent legislative changes opened admission to all veterans and prioritizes admissions by severity of illness and wartime status rather than by service date. The Oxford Veterans Home's total bed capacity is 242 beds and is projected to provide care, for the year ending March 31, 2017 on average, to 239 residents.

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The annual average occupancy rate for the Oxford Veterans Home for the four most recent fiscal years, preliminary for FY 2016 and estimated for FY 2017, is described in the following table:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate
2012	96%
2013	97
2014	96
2015	96
2016 (Prelim.)	96
2017 (Est.)	96

For the fiscal year ending March 31, 2017, the Oxford Veterans Home is projected to generate 4 percent of the patient care revenues deposited into the Health Income Fund.

New York State Home for Veterans in Western New York – Batavia, NY

The WNY Veterans Home in Batavia began admissions of residents in August of 1995. This facility also provides care for veterans and their dependents prioritized by degree of illness rather than by service date. The facility's bed capacity is 126.

The annual average occupancy rate for the WNY Veterans Home for the four most recent fiscal years, preliminary for FY 2016 and estimated for FY 2017, is described in the following table:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate
2012	95%
2013	96
2014	95
2015	93
2016 (Prelim.)	91
2017 (Est.)	96

For fiscal year ending March 31, 2017, the WNY Veterans Home is projected to generate 2 percent of the patient care revenues deposited into the Health Income Fund.

New York State Home For Veterans in The Lower Hudson Valley – Montrose, NY

The HV Veterans Home was authorized by legislation in 1994. Construction was completed in mid-2001 and resident admissions began in September 2001. The 252-bed facility is on the grounds of the Veterans Administration Hospital in Montrose, NY. The design is based on the cluster model used for the WNY Veterans Home in Batavia, which has received national recognition for cost efficient delivery of health care.

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The annual average occupancy rate for the HV Veterans Home for the four most recent fiscal years, preliminary for FY 2016 and estimated for FY 2017, is described in the following table:

State Fiscal Year Ended March 31	Annual Average Inpatient Occupancy Rate[(1)]
2012	98%
2013	98
2014	96
2015	93
2016 (Prelim.)	93
2017 (Est.)	93

[(1)] Based on annual average beds in service of 252.

For the fiscal year ending March 31, 2017, the HV Veterans Home is projected to generate 4 percent of the patient care revenue deposited into the Health Income Fund.

Reimbursement Process and History

The Hospital and the Institute are considered "specialty" facilities and, for reimbursement purposes, have historically been exempt from the case methodology applied to other facilities. However, with the implementation of HCRA, which took effect during 1997 and the conversion from historic reimbursement and the move to managed care contracting, both facilities have entered into several contracts to provide medical services. The Institute is considered to be a Prospective Payment System ("PPS") facility for Medicare and is reimbursed on a cost basis for this payor. At the Hospital, Medicare established a new PPS reimbursement methodology for rehabilitation hospitals, which was effective April 1, 2002. This new methodology is based upon a case payment per discharge rather than the per diem payment which existed previously. Research costs are considered non-allowable and are not included in the calculation of the rates. The facilities also receive additional reimbursement for uncollectible bad debts and charity write- offs from regional and statewide pools; the bad debt write-off, however, is less than 2 percent due to screening and insurance verification of patients prior to admission.

Medicaid reimbursement for the Oxford Veterans Home and the WNY Veterans Home and the HV Veterans Home is based on a Statewide Regional Pricing model which was implemented in 2012. This methodology is partially based on a case-mix assessment. The Statewide Pricing Model also incorporates the cost of care incurred and provides some financial incentives to admit "high intensity" patients by linking payments to the level of services provided.

The Medicaid Statewide Pricing Model also incorporates other factors such as: size of the facilities; geographic location, 2007 operational cost, and quality measures in the determination of the final payment rate.

Beginning in January 2015, the NYC Veterans Homes began the transition to Medicaid Managed Long Term Care contracts with provider organizations. These organizations will pay the published Medicaid Rate including capital for a three year grace period. After the grace period is concluded the homes will receive a negotiated rate.

For Medicare, the reimbursement methodology for the Oxford Veterans Home, the WNY Veterans Home and HV Veterans Home is the same and is based on the PPS, which uses the average cost for the respective regions. For the veterans homes in the program, this has proven beneficial as the average regional cost exceeds the facility-specific cost, resulting in a higher rate of reimbursement for the veterans homes, which have also converted from a "flat rate" average charge to "fee for service." In addition to a room and board charge, the veterans homes bill for actual charges for pharmacy, therapies and other such ancillary services.

To further enhance collections at the Institute and the Hospital, a discrete Department of Law collection unit has been established with sites at each facility. A discrete unit has also been established to provide collection services to the Oxford Veterans Home, the WNY Veterans Home and the HV Veterans Home. The Department of Law serves as the facilities' collection agency since by law the facilities cannot, with certain exceptions, refer uncollectible accounts to outside agencies and have no authority to write off bad debts. Only the Attorney General and the Comptroller have the authority to write off bad debts.

Cash Receipts

Receipts for patient care and other miscellaneous income are deposited into the Health Income Fund on a weekly basis. The following tables display the final amount of cash receipts from each revenue source at the five facilities for the previous fiscal years for which data are available. Facility cash receipts vary with receipts into the Health Income Fund because of timing differences in the recording of the respective funds.

CASH RECEIPTS FROM PATIENTS AND MISCELLANEOUS INCOME

	2011-12	2012-13	2013-14	2014-15	2015-16[1]
Roswell Park Cancer					
Institute	$56,300,969	$63,506,056	$63,520,738	$84,291,527	$73,301,377
Medicaid	7,889,458	6,887,123	5,978,990	5,577,006	4,027,661
Blue Cross	98,351,473	112,593,405	123,412,222	123,545,865	134,311,126
Other Third Party Payors	158,496,458	185,063,310	181,360,298	199,659,920	218,073,077
Self-Pay	3,976,075	4,575,829	4,874,278	5,204,968	6,414,345
TOTAL	$325,014,433	$372,625,723	$379,146,526	$418,279,286	$436,127,586
Helen Hayes Hospital					
Medicare	$22,942,208	$23,836,477	$22,107,031	$29,622,761	$27,829,665
Medicaid	3,922,549	3,895,738	3,572,594	3,886,093	4,034,388
Blue Cross	4,988,454	7,809,929	7,627,589	6,711,645	7,537,989
Other Third Party Payors	12,745,850	12,323,498	14,111,208	14,022,944	13,438,197
Self-Pay	327,386	756,193	802,724	926,523	580,636
Other	5,127,570	4,618,530	2,375,508	5,031,708	16,039,654
TOTAL	$50,054,017	$53,240,365	$50,596,654	$60,201,674	$69,460,529
Oxford Homes					
Medicaid	$11,847,852	$10,427,649	$11,771,974	$10,122,279	$10,934,197
Self-Pay	6,183,076	6,432,435	7,459,897	7,505,992	7,920,251
VA Reimbursement	7,859,730	8,292,187	7,687,504	9,665,385	9,690,770
Medicare	870,899	897,469	584,557	493,602	439,494
Miscellaneous	114,198	141,977	149,115	147,043	139,272
TOTAL	$26,875,755	$26,191,717	$27,653,047	$27,934,301	$29,123,984
WNY Veterans Home					
Medicaid	$5,893,613	$5,309,498	$5,348,976	$4,586,435	$4,808,234
Self-Pay	2,275,952	3,791,962	3,642,935	4,059,761	4,588,273
VA Reimbursement	2,486,990	3,850,953	4,338,950	4,410,337	4,226,686
Medicare	333,587	206,977	375,767	260,208	314,693
TOTAL	$10,990,142	$13,159,390	$13,706,628	$13,316,74	$13,937,886
HV Veterans Home					
Medicaid	$16,213,01	$12,513,16	$12,083,323	$9,600,272	$10,760,025
Self-Pay	8,141,833	8,634,296	9,096,321	8,673,368	7,999,810
VA Reimbursement	7,803,116	9,521,016	11,181,052	10,767,377	11,971,738
Medicare	2,614,727	2,224,912	1,568,623	1,682,108	1,865,799
TOTAL	$34,772,690	$32,893,393	$33,292,319	$30,723,125	$32,597,372

[1] Reflects preliminary information.

The following table reflects the Medical Care Facilities' income statements prepared by independent auditors for the most recent four fiscal years for which such statements are available. The data presented reflect the net patient care income, which is derived by deducting a reserve for bad debts and contractual allowances from the gross charges for patient services. The contractual allowances are the differences between the Medical Care Facilities' charges and the actual amount reimbursed by third party payors. The net revenue varies from the cash receipts schedule provided above since the latter reflects actual cash collected and the differences between the two schedules are represented by accounts receivable. The expenses are reflected on an accrual basis in accordance with GAAP and as required by third party payors. Included in the expenses are all State appropriations, such as fringe benefits for the Medical Care Facilities' employees as well as non-cash expenses such as depreciation.

SUMMARY OF NET PATIENT CARE REVENUES OTHER NON-OPERATING REVENUES AND OPERATING EXPENSES AS REFLECTED ON THE FACILITIES' INCOME STATEMENTS

	2011-12	2012-13	2013-14	2014-15
Revenues				
Roswell Park	$415,533,346	$489,694,134	$509,949,622	$556,676,370
Helen Hayes Hospital	73,193,670	76,097,071	79,258,826	87,190,108
Oxford Home	31,950,888	33,121,769	35,773,769	36,684,950
WNY Veterans Home	17,486,365	16,916,501	18,206,777	17,816,922
HV Veterans Home	40,275,209	39,779,326	41,887,341	35,579,189
Total Revenues	$578,439,478	$655,608,801	$685,076,335	$733,947,539
Expenses				
Roswell Park	$455,343,064	$497,050,605	$510,717,970	$543,469,727
Helen Hayes Hospital	75,864,179	78,632,863	85,856,318	85,154,354
Oxford Home	32,626,985	34,420,163	35,629,891	35,905,321
WNY Veterans Home	18,288,706	18,113,164	18,213,015	18,515,583
HV Veterans Home	37,166,410	35,773,965	37,125,463	35,280,948
Total Expenses	$619,289,344	$663,990,760	$687,542,657	$718,325,933
Results from Operation	($ 40,849,866)	($ 8,381,959)	($2,466,322)	$15,621,606

PART 6 - THE REFUNDING PLAN

A portion of the proceeds of the Series 2016A Bonds, together with other available funds, will be used to refund certain of DASNY's Department of Health of the State of New York Revenue Bonds and Revenue Refunding Bonds, as more particularly described in "APPENDIX G - SUMMARY OF REFUNDED BONDS" hereto (the "Refunded Bonds").

Simultaneously with the issuance and delivery of the Series 2016A Bonds, a portion of the proceeds thereof will be deposited in escrow with the Trustee and, together with other available funds, will be used to purchase United States Treasury obligations (the "Defeasance Securities"), the principal of and interest on which, when due, together with any uninvested proceeds are calculated to provide amounts sufficient to pay the principal of and interest on the Refunded Bonds to their redemption date of November 21, 2016 (the "Redemption Date"). See "PART 17—VERIFICATION OF MATHEMATICAL COMPUTATIONS." At the time of such deposit, DASNY will give the Trustee irrevocable instructions to give notices of the redemption of the Refunded Bonds, and to apply the maturing principal of and interest on the Defeasance Securities, together with any uninvested cash held in escrow, to the payment of the redemption price of and interest coming due on the Refunded Bonds to the Redemption Date.

PART 7 - ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of funds are as follows:

Estimated Sources of Funds	
Principal Amount of Series 2016A Bonds	$144,810,000.00
Plus: Net Original Issue Premium	23,141,689.25
Other Available Moneys	299,572.02
Total Sources	$168,251,261.27
Estimated Uses of Funds	
Refunding Escrow Deposit	$166,064,737.22
Costs of Issuance[(1)]	1,616,268.62
Underwriter's Discount	570,255.43
Total Uses	$168,251,261.27

[(1)] Includes legal fees and associated costs relating to the Series 2016A Bonds, including New York State Bond Issuance Charge.

PART 8 - 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 September 30, 2016, DASNY had approximately $49 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. The appointment by the Speaker of the State Assembly and one of the appointments to the Board by the Governor are currently vacant.

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

The current members of DASNY are as follows:

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

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

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, and insurance, 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. 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, 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, 2016. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 9 - LEGALITY OF THE SERIES 2016A BONDS FOR INVESTMENT AND DEPOSIT

Under New York State law, the Series 2016A 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 of the State may limit the investment of funds of such authorities in the Series 2016A Bonds.

The Series 2016A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 10 - NEGOTIABLE INSTRUMENTS

The Series 2016A Bonds will be negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Resolution and in the Series 2016A Bonds.

PART 11 - TAX MATTERS

Opinion of Co-Bond Counsel

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino 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 2016A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2016A 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 their opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by DASNY, the Department and the Institute in connection with the Series 2016A Bonds, and Co-Bond Counsel to DASNY have assumed compliance by DASNY, the Department and the Institute with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel to DASNY, under existing statutes, interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Series 2016A Bonds. Co-Bond Counsel render their opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2016A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2016A Bonds in order that interest on the Series 2016A 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 2016A 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 2016A 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, the Department and the Institute have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2016A 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 2016A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2016A 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 2016A Bonds.

Prospective owners of the Series 2016A 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 2016A 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.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2016A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2016A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2016A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Co-Bond Counsel to DASNY are of the opinion that, for any Series 2016A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as interest on the Series 2016A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2016A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2016A 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 2016A 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 Series 2016A Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid (including OID) on tax-exempt obligations, including the Series 2016A 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 2016A 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 2016A 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 2016A Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2016A 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 2016A Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Series 2016A Bonds should consult their own tax advisors regarding the foregoing matters.

PART 12 - STATE NOT LIABLE ON THE SERIES 2016A BONDS

The Act provides that notes and bonds of DASNY shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of DASNY. The Resolution specifically provides that the Series 2016A Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 13 - COVENANT BY THE STATE

The Act states 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 provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or 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 or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with DASNY and with the holders of DASNY's notes or bonds.

This pledge and agreement by the State does not, among other things, bind or obligate the State to appropriate funds for the payment of the principal of and interest on the Series 2016A Bonds or for the payment of the operating expenses of the Department. See "PART 2 - SOURCES OF PAYMENT AND SECURITY."

PART 14 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2016A Bonds by DASNY are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to DASNY, whose approving opinions will be delivered with the Series 2016A Bonds. The proposed forms of Co-Bond Counsel opinions are set forth in "Appendix E – Forms of Approving Opinions of Co-Bond Counsel" hereto.

Certain legal matters will be passed upon for the Underwriters by their co-counsel, Winston & Strawn LLP, New York, New York, and Drohan Lee LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2016A Bonds or questioning or affecting the validity of the Series 2016A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of DASNY to issue the Series 2016A Bonds in accordance with the provisions of the Act, the Resolution and the Agreement.

PART 15 - RATINGS

The Series 2016A Bonds have been rated "AA" and "AA" by Standard & Poor's Ratings Services ("S&P") and Fitch, Inc. ("Fitch"), respectively. An explanation of the significance of such ratings should be obtained from the Rating Agency furnishing the same. Such ratings reflect only the views of such Rating Agencies and any desired explanation of the significance of such ratings or any outlooks or other statements given with respect thereto should be obtained from the Rating Agencies at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041; and Fitch, One State Street Plaza, New York, New York 10004. There is no assurance that such ratings will prevail for any given period of time or that they will not be changed or withdrawn by the respective Rating Agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016A Bonds.

PART 16 - UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2016A Bonds from DASNY at an aggregate purchase price of $167,381,433.82 (which represents the par amount of the Series 2016A Bonds plus net premium of $23,141,689.25 less underwriters' discount of $570,255.43) and to make a public offering of the Series 2016A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all such Series 2016A Bonds if any such Series 2016A Bonds are purchased.

The Series 2016A Bonds may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have entered into one or more distribution agreements (the "Distribution Agreements") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to such Distribution Agreements, the Series 2016A Bonds may be purchased from the Underwriters at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2016A Bonds that such firm sells.

PART 17 - FINANCIAL ADVISOR

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 2016A Bonds.

PART 18 - VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants, a firm of independent public accountants, will issue a report indicating that it has verified the mathematical accuracy of the mathematical computations (a) relating to the adequacy of either the cash or the cash and the maturing principal amounts and the interest on the Defeasance Securities deposited with the Trustee to pay the redemption price of and interest on the Refunded Bonds coming due on the Redemption Date as described in "PART 6 - THE REFUNDING PLAN," and (b) supporting, among other things, the conclusion of Co-Bond Counsel that interest on the Series 2016A Bonds are not "arbitrage bonds" under the Code and the applicable tax regulation.

PART 19 - CONTINUING DISCLOSURE

In order to assist the Underwriters to comply with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), DASNY, the State, through the Division of the Budget, and the Trustee will enter into a written agreement (the "Continuing Disclosure Agreement") for the benefit of the Holders of the Series 2016A Bonds to provide continuing disclosure. The proposed form of Continuing Disclosure Agreement is attached as Appendix F hereto.

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 Department of Health Revenue Bonds.

PART 20 - SOURCES OF INFORMATION AND CERTIFICATIONS

DASNY's use of certain information concerning the Department and the State included in this Official Statement has been furnished or reviewed and authorized by the sources described below. 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. DASNY is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2016A Bonds, as to the accuracy of such information provided or authorized by it.

The Department. The Department provided certain of the information contained in this Official Statement including the information relating to the Department in "PART 4 - THE DEPARTMENT OF HEALTH" and "PART 5 - THE MEDICAL CARE FACILITIES."

Certain officers of the Department have been authorized by the Department to include the information about the Department in this Official Statement and are to certify to DASNY that the statements of material fact concerning the Department contained in the Official Statement are true and correct and do not fail to state any material fact necessary in order to make the statements of fact made therein, in the light of the circumstances under which they were made, not misleading.

The State. The State provided the information relating to the State in "Appendix B - Information Concerning the State of New York."

The Director of the Budget of the State of New York is to certify to DASNY that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements included in Appendix B to this Official Statement, is true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in the light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in Appendix B to this Official Statement which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and, he has no reason to believe, and does not 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 the light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in Appendix B to this Official Statement under the caption "Litigation" such statements and information are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. This certification is to apply both as of the date of this Official Statement and as of the date of the delivery of the Series 2016A Bonds.

The State Department of Audit and Control has informed DASNY that it has reviewed the historical and financial information with respect to the State contained in Appendix B hereto, but since bonds of DASNY are not a direct obligation of the State, the Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information contained in Appendix B hereto.

Bond Counsel. "Appendix A - Certain Definitions," "Appendix C - Summary of Certain Provisions of the Agreement," "Appendix D - Summary of Certain Provisions of the Resolution" and "Appendix E - Form of Approving Opinion of Co-Bond Counsel" have been prepared by Co-Bond Counsel.

DASNY. DASNY provided the balance of the information in or appended to this Official Statement, except as otherwise specifically noted herein.

DTC. The information regarding DTC and DTC's book-entry only system has been furnished by DTC. DASNY believes that this information is reliable, but makes no representations or warranties whatsoever to the accuracy or completeness of this information.

DASNY shall certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2016A Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that DASNY has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the Department, the State or DTC and DTC's book-entry only system, but which information DASNY has no reason to believe is untrue or incomplete in any material respect).

The Department is obligated by the Agreement to provide to DASNY such information as DASNY may request which will enable DASNY or the Trustee to make any report or provide any information pursuant to the requirements of law or governmental regulation. DASNY does not currently publish or disseminate any financial or other information related to the Department on a systematic basis and has not contracted to do so.

The references herein to the Act, other laws of the State, the Resolution and the 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 2016A Bonds are fully set forth in the Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2016A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2016A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of DASNY and the Trustee.

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

CERTAIN DEFINITIONS

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APPENDIX A

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined herein, in the Resolution or in the Agreement and are used in this Official Statement:

"Accreted Value" means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or a Series Certificate 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, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates;

"Act" means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law, as amended);

"Agreement" means the Loan Agreement executed by and among the Authority and the Department, dated as of July 18, 1990, as from time to time amended or supplemented by Supplemental Agreements in accordance with the terms and provisions of the Resolution and of the Agreement;

"Annual Administrative Fee" means a fee payable during each Bond Year for (i) a portion of the general administrative and overhead expenses of the Authority allocated in accordance with a formula established by the Authority and (ii) the fees and expenses incurred by the Authority pursuant to law or otherwise in carrying out its duties under the Agreement and under the Resolution or as a consequence of Bonds remaining outstanding, including, without limitation, accounting, auditing, financial advisory and legal expenses incurred by the Authority and the fees and expenses of any provider of a Credit Facility or Liquidity Facility, the Trustee, any Paying Agents or other fiduciaries acting under the Resolution;

"Annual Payments" means the payments due and payable by the Department to the Authority during a Bond Year, as provided for and computed in accordance with the provisions of the Agreement;

"Appreciated Value" means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or a Series Certificate and (ii) as of any 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, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date;

"Arbitrage Rebate Fund" means the fund so designated, created and established pursuant to the Resolution;

"Authority" means 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 Act, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Authority;

"Authorized Newspaper" means The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority;

"Authorized Officer" means (i) in the case of Authority, the Chairman, the Vice-Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, a Deputy Executive Director, the General Counsel, the Deputy Counsel, the First Deputy Executive Director, an Associate Counsel or the Director, Financial Operations, and when used with reference to any act or document also means any other person authorized by resolution or bylaws of the Authority to perform such act or execute such document; (ii) in the case of the Department, the Commissioner and when used with reference to any act or document also means any Deputy Commissioner duly deputized by the Commissioner pursuant to the Public Health Law of the State to perform such act or execute such document; and (iii) in the case of the Trustee, the President, a Vice President, Corporate Trust Officer, Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to resolution or bylaws of the Board of Directors of the Trustee;

"Bond" or "Bonds" means any of the bonds of the Authority authorized and issued pursuant to the Resolution or a Series Resolution;

"Bond Counsel" means the Attorney General of the State or an attorney or a law firm, appointed by the Authority, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds;

"Bond Year" means a period of twelve (12) consecutive months beginning July 1 in any calendar year and ending on June 30 of the succeeding calendar year;

"Book Entry Bond" means a Bond authorized to be issued to, and issued to and registered in the name of, a Depository directly or indirectly for the beneficial owners thereof;

"Building and Equipment Reserve Fund" means the fund so designated, created and established pursuant to the Resolution;

"Building and Equipment Reserve Fund Requirement" means, as of any particular date of computation, the amount set forth in a Series Resolution or Series Certificate for such date of computation, as the same may be increased or decreased in accordance with a Series Resolution or Supplemental Resolution, a Series Certificate or other certificate of an Authorized Officer of the Authority delivered to the Trustee, as such amount shall be reduced by the total of any amounts withdrawn from the Building and Equipment Reserve Fund and increased by the amount of each such withdrawal then required pursuant to the Agreement to have been repaid; provided that the Building and Equipment Reserve Fund Requirement shall not exceed five percent (5%) of the Costs of the Projects;

"Business Day" means any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York;

"Capital Appreciation Bond" means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof;

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

"Commissioner" means the Commissioner of Health of the State of New York and, in the event such office is vacant, or in the event the Commissioner of Health is absent from his office or in the event of the inability to act of the Commissioner of Health, the person duly authorized to perform the duties and responsibilities of the Commissioner of Health pursuant to Section 9 of the Public Officers Law of the State;

"Comptroller" means the Comptroller of the State of New York;

"Construction Fund" means the fund so designated, created and established pursuant to the Resolution;

"Cost" or "Costs" means costs and expenses or the refinancing of costs and expenses determined by the Authority to be necessary in connection with a Project, including, but not limited to, (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) cost and expenses incurred for labor and materials and payments to contractors, builders and materialmen, for the acquisition, construction, reconstruction, rehabilitation, repair and improvement of a 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 a 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 construction of a Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all costs which the Department shall be required to pay for or in connection with additions to, or the alterations, expansions, reconstruction, rehabilitation, repair, and equipping of a Project, (vii) any sums required to reimburse the Department or the Authority for advances made by them for any of the above items or for other costs incurred and for work done by them in connection with a Project (including interest on moneys borrowed to temporarily finance the payment of any item or terms of Costs of a Project), (viii) interest on the Bonds prior to, during and for a reasonable period after construction of a Project is complete and a Project is available for occupancy or use, (ix) the payment of any notes of the Authority (including any interest thereon and redemption premium thereof) issued to temporarily finance the payment of any item or items of Cost, and (x) fees, expenses and liabilities of the Authority incurred in connection with a Project or pursuant to the Resolution or to the Agreement;

"Cost" or "Costs of Issuance" means the items of expense incurred in connection with the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, costs and expenses of refunding Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

"Credit Facility" means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof in accordance with the Resolution and with the Series Resolution authorizing such Bonds or a Series Certificate, whether or not the Authority is in default thereunder or the Department is in default under the Agreement;

"Debt Service Fund" means the fund so designated, created and established pursuant to the Resolution;

"Debt Service Reserve Fund" means the amount required to be on deposit in the Health Income Fund in accordance with paragraph 2(c) of Section 409 of the Public Health Law;

"Defeasance Securities" means direct obligations of the United States of America or Exempt Obligations, provided that such Exempt Obligations (i) are, until the maturity date or redemption date thereof, secured by and payable from the principal of or interest payments on direct obligations of the United States of America and (ii) are rated by Moody's and S&P's in the highest rating category of each such rating service for such Exempt Obligations;

"Deferred Income Bond" means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on January 1 and July 1 of each Bond Year;

"Default" means an "event of default" as such term is defined under the Agreement;

"Department" means the Department of Health of the State of New York, a civil department of the State government within the meaning of Article V, section 2 of the State Constitution, created pursuant to law, the existence of which is continued by Article 2 of the Public Health Law of the State, or any civil department, agency, board or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Department of Health of the State of New York;

"Depository" means the Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Series Resolution authorizing a Series of Bonds or a Series Certificate relating to a Series of Bonds to serve as securities depository for the Bonds of such Series;

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

"Exempt Obligation" means an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest on which is excludable from gross income under Section 103 of the Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account hereunder, is rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "A" or better by Moody's and S&P's, or, if such obligation is not rated by Moody's and S&P's, by Moody's or S&P's, or, if such obligation is rated by neither Moody's nor S&P's, has been assigned a comparable rating by another nationally recognized rating service, but in no event rated lower than the lowest rating on Outstanding Bonds assigned by Moody's or S&P's;

"Fitch" means Fitch, Inc., a wholly-owned subsidiary of Fitch Group, Inc., and its successors and assigns;

"Government Obligation" means a direct obligation of the United States of America, an obligation the principal of, and interest on, which are guaranteed by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of a federal agency approved by the Authority, and a certificate or other instrument which evidences of ownership of, or the right to receive all or a portion of the payment of the principal of or interest on, direct obligations of the United States of America;

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

"Health Income Fund" means the special account established in the custody of the Comptroller by Section 409 of the Public Health Law;

"Health Income Fund Assets" means all moneys and investments in the Health Income Fund, any right, title and interest of the Authority in and to the money and investments in or to be deposited in the Health Income Fund and the proceeds of the foregoing items (provided that nothing in the Resolution shall prevent the Comptroller from making payments to the Health Services Fund in accordance with paragraph 2(d) of Section 409 of the Public Health Law or the Department from paying to the Authority the Annual Administrative Fee and other moneys to reimburse the Authority for expenses incurred in connection with paying maintenance, repair and replacement for the Project pursuant to the Agreement, all to the extent provided in the Agreement);

"Health Services Account" or "Health Services Fund" means the health services fund referenced in paragraph 2(d) of Section 409 of the Public Health Law, since redesignated the Health Services Account and subsequently redesignated a special revenue fund with accounts for each Medical Care Facility;

"Holder of Bonds," "Bondholder" or "Holder" or any similar term, when used with reference to a Bond or Bonds, means any person who shall be the registered owner of any Outstanding Bond;

“Interest Commencement Date” means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or a Series Certificate, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on January 1 and July 1 of each Bond Year;

“Investment Agreement” means an agreement for the investment of moneys with a Qualified Financial Institution;

“Liquidity Facility” means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit, or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Series Resolution authorizing such Bonds or a Series Certificate;

“Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, which shall be set forth in the Series Resolution authorizing such Bond or a Series Certificate, that shall be the maximum rate at which such Bond may bear interest at any time;

“Minimum Interest Rate” means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or a Series Certificate, that shall be the minimum rate at which such Bond may bear interest at any time;

“Medical Care Facilities” means the Roswell Park Cancer Institute, the Helen Hayes Hospital, the New York State Home for Veterans and their Dependents at Oxford, the New York State Home for Veterans in Western New York and the New York State Home for Veterans in the lower Hudson Valley as listed under Section 403 of the Public Health Law;

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns;

“Option Bond” means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof;

“Outstanding,” when used in reference to Bonds, means as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) Option Bonds tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bonds which have been purchased by or on behalf of the Authority and in lieu of or substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution, provided that interest thereon shall have been paid through such tender or purchase date thereof and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bonds;

“Parking Garage” means a parking garage at the State hospital known as Roswell Park Cancer Institute, including attendant facilities and equipment and the site thereof;

“Paying Agent” means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or a Series Resolution or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed;

"Plans and Specifications" means the plans and specifications for a Project prepared pursuant to the Agreement, including site plans showing the location of such Project upon the land, schematic drawings of the interior of the buildings and improvements included in such Project, and the design of such buildings and improvements, and any plans and specifications for the improvement, rehabilitation, reconstruction or repair of a Project;

"Project" means the acquisition, design, construction, reconstruction, rehabilitation or improvement or the furnishing and equipping of dormitories (as defined in the Act) and attendant facilities for the Department of Health of the State of New York, in connection with which Bonds have been issued and are Outstanding;

"Public Health Law" means the Public Health Law of the State of New York, being Chapter 879 of the Laws of 1953, as amended;

"Qualified Financial Institution" means (i) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement is entered into by the Authority are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, "A" or better by Moody's and S&P's, or, if such obligations are not rated by Moody's and S&P's, by Moody's or S&P's, or, if such obligations are rated by neither Moody's nor S&P's, have been assigned a comparable rating by another nationally recognized rating service, but in no event shall such obligations be rated at the time an Investment Agreement is entered into by the Authority lower than the lowest rating assigned by Moody's or S&P's to any Outstanding Bonds or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority;

"Record Date" means, unless a Series Resolution authorizing Variable Interest Rate Bonds or a Series Certificate relating thereto provides otherwise with respect to such Variable Interest Rate Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date;

"Redemption Price" means, when used with respect to a Bond, the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Resolution or to any applicable Series Resolution or Series Certificate;

"Refunding Bonds" means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution (regarding the issuance of Refunding Bonds) and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution;

"Resolution" means the Revenue Bond Resolution (Department of Health of the State of New York, Revenue Bonds), adopted by the Authority on July 18, 1990, as from time to time amended or supplemented by Supplemental Resolutions or Series Resolutions in accordance with the terms and provisions of the Resolution;

"Revenues" means all payments received or receivable by the Authority which pursuant to the Agreement are to be paid to the Trustee (except payments to such Trustee for the administrative costs and expenses or fees of such Trustee and payments to such Trustee for deposit in the Arbitrage Rebate Fund) securing the Bonds;

"S&P" means Standard & Poor's Ratings Services, a division of McGraw Hill, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns;

"Serial Bonds" means the Bonds so designated in a Series Resolution or a Series Certificate;

"Series" means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and to any applicable Series Resolution or applicable Series Certificate authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such

Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions;

"Series Certificate" means a certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds in accordance with the delegation of power to do so under the Resolution or under a Series Resolution;

"Series 2016A Bonds" means the Bonds authorized by Article II of the Series 2016 Resolution;

"Series 2016 Resolution" means the Dormitory Authority of the State of New York Series 2016 Resolution Authorizing up to $150,000,000 Department of Health of the State of New York Revenue Refunding Bonds, Series 2016A, adopted by the Authority on May 11, 2016.

"Series Resolution" means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution;

"Sinking Fund Installment" means, as of any date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, the amount of money required by the Resolution or by the Series Resolution pursuant to which such Bonds were issued or by any applicable Series Certificate, to be paid on a single future July 1 for the retirement of any Outstanding Bonds of said Series which mature after said future July 1, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future July 1 is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment;

"Standby Purchase Agreement" means an agreement by and between the Authority and another person pursuant to which such person is obligated to purchase Option Bonds tendered for purchase;

"State" means the State of New York;

"Supplemental Agreement" means any agreement amending or supplementing the Agreement or any Supplemental Agreement, executed and becoming effective in accordance with the terms and provisions of the Resolution and of the Agreement;

"Supplemental Resolution" means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Resolution;

"Tax Certificate" means the Tax Certificate as to Arbitrage and the instructions as to compliance with the provisions of Section 103(a) of the Code, executed by an Authorized Officer of the Authority in connection with the issuance of Bonds of a Series;

"Trustee" means the bank or trust company appointed as Trustee for the Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in the Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution;

"Valuation Date" means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income Bond, the date or dates prior to the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or a Series Certificate on which specific Appreciated Values are assigned to such Deferred Income Bond;

"Variable Interest Rate" means a variable interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, provided the method of computing such variable interest rate is specified in the Series Resolution authorizing such Bonds or a Series Certificate and shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) or a function of such objectively determinable interest rate or rates which may be in effect from time to time or at a particular time or times; provided that such variable interest rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Series Certificate or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or a Series Certificate; and provided that such interest rate shall be subject to a Maximum Interest Rate; and provided, further, that such Series Resolution or Series Certificate shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective; and

"Variable Interest Rate Bond" means any Bond which bears a Variable Interest Rate, provided that any Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond.

Appendix B

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix B is dated June 29, 2016. It was updated on August 29, 2016. 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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Update to
Annual Information Statement
State of New York

August 29, 2016

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Annual Information Statement Update

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Introduction

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Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated August 29, 2016 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and is the first quarterly update to the AIS dated June 29, 2016 (the "AIS"). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the First Quarterly Update to the Financial Plan for FY 2017 (the "Updated Financial Plan"), issued by the Division of the Budget (DOB). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of first quarter operating results for FY 2017 and updates to the State's official Financial Plan projections for FY 2017 through FY 2020[1]. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2017 Enacted Budget Financial Plan (the "Enacted Budget Financial Plan") reflected in the AIS. Note that the Updated Financial Plan does not reflect the August 2016 consent order between the State Department of Financial Services (DFS) and Mega International Commercial Bank Co., Ltd. and Mega International Commercial Bank Co., Ltd. New York Branch (collectively "Mega Bank"), pursuant to which Mega Bank has paid a $180 million monetary penalty to the State for its failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law. DOB next expects to update the State's multi-year financial projections in October 2016 with the Mid-Year Update to the Financial Plan.
2. A discussion of issues and risks that may affect the Updated Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the State Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated information regarding the State Retirement System.
5. Updated Information on certain public authorities of the State.
6. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2016 and projected receipts and disbursements for fiscal years 2017 through 2020 on a General Fund, State Operating Funds and All Governmental Funds basis.

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[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2017 ("FY 2017") is the fiscal year that began on April 1, 2016 and will end on March 31, 2017.

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

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 Update. Investors and other market participants should, however, refer to the 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 Update 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 Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", and analogous expressions are intended to identify forward-looking statements in this AIS Update. 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 Update.

In addition to regularly scheduled quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to the 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 the AIS, as updated or supplemented, in Official Statements or related disclosure documents for State or State-supported debt issuances. The

State has filed this AIS Update with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS Update can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

OSC issued the State's Basic Financial Statements for FY 2016 (ended March 31, 2016) and the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting in accordance with the annual statutory deadline of July 29. Copies of this report may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2016 can also be accessed through EMMA at www.emma.msrb.org.

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This AIS Update 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 payment of their respective bonds, notes or other obligations.

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Significant Budgetary/Accounting Practices

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Significant Budgetary/Accounting Practices

Unless clearly noted otherwise, all financial information in this AIS Update 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 Update is generally weighted toward the General Fund.

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

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

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 Updated 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 a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction, maintenance and rehabilitation of roads, bridges, prisons, university facilities, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest, and related expenses for debt issued by the State and 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. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. However, GAAP is a financial reporting regime, not a budgeting system.

The Updated 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 Updated 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 Updated Financial Plan projections for FY 2018 and thereafter, set forth in this AIS Update, 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 to no greater than 2 percent. Total disbursements in the Updated Financial Plan tables and narrative, contained in this AIS Update, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." Updated 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.

Overview of the Updated Financial Plan

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Overview of the Updated Financial Plan

The following table provides certain Updated Financial Plan information for FY 2016 and FY 2017.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

	FY 2016	FY 2017	
	Results	Enacted	First Quarterly Update
State Operating Funds Disbursements			
Size of Budget	$94,288	$96,180	$96,214
Annual Growth	2.0%	2.0%	2.0%
Other Disbursement Measures			
General Fund (Excluding Transfers)	$56,666	$59,681	$59,586
Annual Growth	4.4%	5.3%	5.2%
General Fund (Including Transfers)[1]	$68,042	$71,841	$71,113
Annual Growth	8.3%	5.6%	4.5%
State Funds (Including Capital)	$101,232	$106,302	$105,787
Annual Growth	3.1%	5.0%	4.5%
Capital Budget (Federal and State) *	$8,981	$11,920	$11,371
Annual Growth	19.0%	32.7%	26.6%
Federal Operating Aid (Excluding Extraordinary Aid) *	$40,601	$40,054	$40,169
Annual Growth	5.0%	-1.3%	-1.1%
All Funds (Excluding Extraordinary Aid) *	$143,870	$148,154	$147,754
Annual Growth	3.8%	3.0%	2.7%
Capital Budget (Including "Off-Budget"[2]) *	$9,549	$12,723	$12,174
Annual Growth	15.2%	33.2%	27.5%
All Funds (Including "Off-Budget"[2] Capital) *	$144,438	$148,957	$148,557
Annual Growth	3.6%	3.1%	2.9%
Inflation (CPI)	0.4%	1.4%	1.6%
All Funds Receipts			
Taxes	$74,673	$77,128	$76,502
Annual Growth	5.1%	3.3%	2.4%
Miscellaneous Receipts	$27,268	$23,567	$24,092
Annual Growth	-7.4%	-13.6%	-11.6%
Federal Grants *	$44,486	$43,700	$43,813
Annual Growth	2.5%	-1.8%	-1.5%
Total Receipts *	$146,427	$144,395	$144,407
Annual Growth	1.8%	-1.4%	-1.4%
General Fund Cash Balance	$8,934	$6,069	$6,489
Stabilization/Rainy Day Reserve Funds	$1,798	$1,798	$1,798
Monetary Settlements	$6,300	$3,547	$4,027
All Other Reserves/Fund Balances	$836	$724	$664
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,862	118,590	118,590
Debt			
Debt Service as % All Funds Receipts	4.0%	3.7%	3.9%
State-Related Debt Outstanding	$52,105	$52,555	$52,078
Debt Outstanding as % Personal Income	4.6%	4.4%	4.4%

1 Annual growth includes planned extraordinary transfer of monetary settlements from the General Fund to other funds.
2 Represents capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.
* All Funds, Federal Operating Funds and Capital Projects Funds receipts and disbursements exclude (a) Federal disaster aid for Superstorm Sandy and (b) additional Federal aid associated with Federal health care reform. Prior plans included an adjustment for spending funded from monetary settlements with financial institutions.

Overview of the Updated Financial Plan

Except for the specific revisions described herein, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2017 Enacted Budget Financial Plan described in the AIS.

Summary

DOB reports that the Updated Financial Plan for FY 2017 remains in balance on a cash basis in the General Fund, with a significant downward revision to the annual estimate for tax receipts offset by expected savings in other areas of the Updated Financial Plan. Spending growth in State Operating Funds is expected to be held to 2 percent, consistent with the Enacted Budget Financial Plan, with spending increases related to the legislative session and recent labor settlements mitigated by lower spending across a range of Updated Financial Plan activities.

In the Enacted Budget Financial Plan, DOB lowered the forecast for General Fund tax receipts by $350 million in comparison to the FY 2017 Executive Budget Financial Plan, based on the relatively weak performance of the financial sector. At the time, DOB noted that "[additional] downward revisions to tax receipts [were] possible in the current year and future years if weakness persists." Such downward revisions now appear to be warranted. Through the first quarter of FY 2017, PIT collections in the General Fund (including transfers from other funds) fell $595 million below planned levels, with most of the variance concentrated in the estimated payment component of PIT. In light of these results and updated economic data, DOB is lowering the estimate for General Fund PIT tax receipts by $600 million in each year of the Updated Financial Plan. DOB will continue to monitor PIT receipts closely and further downward revisions cannot be ruled out during the remainder of FY 2017. Other taxes generally appear to be on track with the Enacted Budget Financial Plan estimates. The General Fund remains in balance in FY 2017, with the downward revision to tax receipts offset in its entirety by savings in other areas of the Updated Financial Plan. These include downward re-estimates to expected disbursements for local assistance, agency operations, and capital projects, and additional savings from the refunding of certain outstanding debt. Note that the Updated Financial Plan does not reflect the August 2016 consent order between DFS and Mega Bank, pursuant to which Mega Bank has paid a $180 million monetary penalty to the State for its failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law.

In the regular legislative session that ended in June 2016, the Governor and Legislature approved an enhanced pension benefit for public sector veterans that enables eligible members to receive up to three years of extra pension service credit for their active military service, the cost of which DOB estimates will total roughly $400 million over the next five years. Legislation was also approved that repealed the sales and use tax on feminine hygiene products, which is expected to reduce General Fund receipts by approximately $5 million in FY 2017. Other bills with a fiscal impact were passed by the Legislature and are expected to be delivered to the Governor for his review in coming months. Any bills with a fiscal impact that are ultimately approved by the Governor will be reflected in future updates, as appropriate.

Since enactment of the FY 2017 Budget, the State finalized labor agreements with the New York State Public Employees Federation (PEF) for FY 2016 and the New York State Police Investigators Association (NYSPIA) in the Division of State Police for the period of FY 2012 through FY 2018 that provide salary increases for PEF-represented employees in FY 2016 and for NYSPIA-represented employees in FYs 2015 - 2018. As a result, spending is expected to increase by approximately $150 million in FY 2017, covering both the costs of the retroactive increases and the current year costs of the salary increases, with $75 million in recurring spending annually thereafter. The retroactive costs will be covered with the General Fund balance set aside for this purpose, and the ongoing salary increases will be funded within agency operating budgets, consistent with the treatment of other negotiated salary increases covering the FY 2012 – FY 2016 period.

Pursuant to a partial settlement agreement entered into in June 2016 by the New York State Attorney General and other state attorneys general with Volkswagen AG, Audi and Porsche Affiliates (collectively, "Volkswagen"), Volkswagen will make a monetary payment to New York State of over $30 million to resolve certain claims as described with more particularity in the partial settlement agreement. In addition, subject to court approval, satisfaction of requirements contained within the United States Department of Justice Partial Consent Decree, and approval of a court-appointed trustee, the State will be eligible to receive up to approximately $117 million for eligible mitigation action expenditures as set forth in the United States Department of Justice Partial Consent Decree, and DOB expects that any such funds received by the State for eligible mitigation action expenditures will be administered outside of the State's All Governmental Funds budget.

The Updated Financial Plan projections for FY 2018 and thereafter are based on an assumption that the current Administration will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The General Fund operating balance projections for FY 2018, FY 2019, and FY 2020 are calculated based on this assumption. DOB expects that specific proposals to limit spending growth to 2 percent will be included in future budget proposals.

First Quarter Operating Results

The State ended June 2016 with a General Fund cash balance of $7.2 billion, $976 million below the estimate in the Enacted Budget Financial Plan. General Fund receipts, including transfers from other funds, totaled $18.5 billion through June 2016, $415 million below Enacted Budget Financial Plan estimates. The lower receipts were due to lower than expected PIT collections through June 2016 ($595 million), partly offset by higher tax collections in all other major categories, as well as non-tax receipts. The weakness in PIT estimated payments is attributable to an unexpected decline in both the number of payments and the size of the average payments. Higher consumption and use tax receipts, than reflected with the Enacted Budget Financial Plan projections, were associated with stronger than expected June 2016 sales tax collections, which was partially associated with the timing of audit receipts.

General Fund disbursements, including transfers to other funds, totaled $20.3 billion through June 2016, $561 million higher than Enacted Budget Financial Plan projections, mainly due to the timing of planned payments for local assistance and agency operations. Higher spending for local assistance is primarily attributable to Medicaid payments that exceeded planned amounts due to delays in the receipt of certain offsets and audit recoveries planned through June 2016, which are now expected to be received in later months. In addition, the State incurred costs for the Essential Plan (EP), a health insurance program which receives Federal subsidies authorized through the Affordable Care Act (ACA), in the first quarter of FY 2017 due to timing fluctuations of Federal advances. Spending for agency operations was above planned levels as a result of higher overall State personal service (PS) costs, including overtime, and the delayed application of offsets to workers' compensation payments.

Multi-Year Financial Plan Revisions (FY 2017 and Outyears)

The following table summarizes the revisions to the FY 2017 Enacted Budget Financial Plan. Descriptions of the changes follow the table below.

SUMMARY OF REVISIONS TO ENACTED BUDGET FINANCIAL PLAN
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING
SAVINGS/(COSTS)
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
ENACTED BUDGET SURPLUS/(GAPS) [1]	**0**	**355**	**(841)**	**(399)**
Receipts Revisions	**(308)**	**(603)**	**(606)**	**(590)**
Personal Income Tax	(600)	(600)	(600)	(600)
Sales Tax	(5)	(7)	(7)	(7)
Non-Tax Receipts	267	4	1	17
Volkswagen Settlement Payment	30	0	0	0
Disbursement Revisions	**728**	**(484)**	**(101)**	**(67)**
Local Assistance	188	119	55	46
Agency Operations	(93)	(118)	(122)	(78)
Transfers to Capital Projects Funds	651	(450)	0	0
Transfers to Other Funds	(18)	(35)	(34)	(35)
Change in Reserves	**(420)**	**450**	**0**	**0**
Use of Collective Bargaining Reserve	60	0	0	0
Set Aside Volkswagen Settlement	(30)	0	0	0
Timing of DIIF Transfers	(450)	450	0	0
Changes in Adherence to 2% Spending Benchmark	**0**	**75**	**76**	**34**
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAPS)	**0**	**(207)**	**(1,472)**	**(1,022)**
Net Change from Enacted Budget Financial Plan	*0*	*(562)*	*(631)*	*(623)*

[1] Includes savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 estimate. 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.

Overview of the Updated Financial Plan

Receipts Revisions

General Fund receipts, including transfers from other funds, are projected to total $68.7 billion in FY 2017, a decrease of $308 million from the Enacted Budget Financial Plan projections.

- **PIT Receipts:** PIT receipts, mainly for withholding and estimated payments, through the first quarter of the fiscal year were considerably lower than expected, which has led to a downward adjustment to projected PIT receipts of $600 million in each year of the Updated Financial Plan. After accounting for potential timing issues, performance across most of the State's taxes has been consistent with Enacted Budget Financial Plan estimates. The exception was the shortfall in June 2016 PIT estimated payments which could indicate weakness in non-wage income growth.

- **Sales Tax Receipts:** Legislation has been passed which requires feminine hygiene products to be exempt from State and local sales and use taxes. The legislation will reduce State tax receipts by an estimated $5 million in FY 2017 and $7 million annually thereafter. It is expected that local government sales tax receipts will be reduced by a commensurate amount. The legislation makes the treatment of these products consistent with the treatment of other health care products.

- **Non-Tax Receipts:** Certain reimbursements and transfers from other State funds have been revised based on results to date, and updated programmatic forecasts and information. The most significant changes include a reduction in debt service costs due to the refunding of certain outstanding debt, expected later in FY 2017 to increase the transfer of PIT receipts back to the General Fund ($125 million) and to eliminate the need for a transfer to offset transaction risks based on updated information ($143 million).

- **Volkswagen Settlement Payment:** The State expects Volkswagen will pay over $30 million in monetary recoveries in accordance with a partial settlement agreement between the Office of the Attorney General (among others) and Volkswagen. This settlement agreement pertains to Volkswagen's violations of emissions standards and state consumer protection laws. These funds will be set aside, along with other settlements that have not yet been programmed, as an undesignated reserve.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total $71.1 billion in FY 2017, a decrease of $728 million from Enacted Budget Financial Plan projections.

- **Local Assistance:** Local assistance spending in the General Fund is expected to total $45.8 billion in FY 2017, a decrease of $188 million from the Enacted Budget Financial Plan estimate. The revision consists of increased costs related to the 2016 legislative session that are more than offset by a downward revision to expected disbursements. Spending reestimates include a reduction in the level of Tuition Assistance Program (TAP) payments expected in the current year and the General Fund impact of revisions to estimated lottery receipts in FY 2018 and beyond. In addition, certain DOH enrollment center cost increases to the Medicaid operations budget, as described below, will be offset by reduced local assistance support provided under the DOH Medicaid Global Cap. These reductions are partly offset by added funding for:

  - **East Ramapo Central School District:** A three-member monitoring team, to be appointed and assigned to the East Ramapo Central School District, to focus on improvements in its academic performance and the fiscal management of the school district.

  - **Child Health Insurance Plan Expanded Coverage for Newborns:** Funding is included for legislation that requires expanded coverage of newborns in the Child Health Insurance Plan, as amended for technical correction and approved in April 2016. Pursuant to this amended legislation, effective January 1, 2017 an eligible newborn child is to be enrolled on the first day of the calendar month in which the child is born, provided the application is submitted within sixty days of birth. Monthly capitation payments for Child Health Plus (CHP) enrollees are predicated on eligibility at the first day of each new calendar month. This technical correction provides eligible children who are born after the first day of each new calendar month with full coverage from birth.

  - **HIV/AIDS Services/Benefits to PA Recipients in NYC:** Beginning in September 2016, the population eligible for the enhanced shelter benefit provided by the HIV/AIDS Services Administration (HASA) is to be expanded to include all Public Assistance (PA) recipients living in New York City that have tested positive for HIV regardless of whether the recipient is symptomatic. This eligibility expansion is expected to result in $10 million in additional costs in FY 2017 and $31 million in additional costs annually thereafter.

  - **Zika Virus Preparedness:** Funding is added to the General Public Health Work (GPHW) program to reflect approximately $5 million in anticipated claims for State aid by local governments to fund enhanced mosquito surveillance and disease monitoring activities associated with Zika preparedness during FYs 2017 and 2018.

- **Local Government Assistance Payment to Rochester:** A one-time payment to the City of Rochester, originally scheduled for March 2016, was made in July 2016. This $6 million payment is to support services and expenses related to the Rochester/Monroe anti-poverty initiative as well as children and family related programs.

- **Agency Operations:** General Fund disbursement for agency operations, including fringe benefits, are expected to total $13.8 billion in FY 2017, an increase of $93 million from the Enacted Budget Financial Plan estimate. The increase mainly reflects the estimated FY 2017 costs of the veterans pension bill, retroactive labor settlements, and revisions to the funding for DOH enrollment centers, offset by modest downward revisions in other expenses.

  - **Veterans Pension Credit:** A new retirement system credit enables eligible veterans employed by the State and local governments to receive up to three years of active military service toward their retirement, regardless of when or where they served, as long as they were honorably discharged and have five years of retirement system service. Members must apply for and pay the employee share of such service credit prior to retirement. Based on the estimated number of eligible employees and participation rate to date, DOB estimates the cost of the credit will total roughly $400 million over the next five years for State employees and local government employees covered by Section 25 of the Retirement and Social Security Law. The State is required to fund the full present value of the benefit for these employees as members opt in to receiving the benefit. The law permits the State to amortize the first year cost over five years at an interest rate determined by the New York State Retirement System, which has indicated it would charge an annual rate of 7 percent. At this time, the State does not plan to amortize these costs.

  - **Labor Agreements:** The State and PEF finalized a one-year retroactive labor agreement to provide a 2 percent annual salary increase for the period April 1, 2015 through March 31, 2016. This agreement creates parity for PEF with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Total State spending is expected to increase by approximately $120 million in FY 2017 (covering FY 2016 and FY 2017) and $60 million annually thereafter.

    The State has also reached a seven year agreement with NYSPIA in the Division of State Police, which is consistent with the recent seven year contract with the Police Benevolent Association of New York State Troopers. The agreement includes a wage increase schedule that provides no increase from FY 2012 through FY 2014, 2 percent increases for each of FYs 2015 and 2016, and 1.5 percent increases for each of FYs 2017 and 2018. Total State spending is expected to increase by approximately $30 million in FY 2017 (covering FY 2012 through FY 2017) and approximately $15 million annually thereafter.

- **New York State of Health (NYSOH) Health Benefit Exchange Qualified Health Plan (QHP) Update:** The Updated Financial Plan reflects a $33 million State funds spending reduction in FY 2017 for the QHP portion of the NYSOH health benefit exchange, of which the majority of savings is attributable to an extension of Federal support through December 2016. Spending for the QHP operation is not managed within the Medicaid Global Cap, thus the associated savings materialize to the Updated Financial Plan at no impact to other program services.

- **DOH Enrollment Center Funding Increase:** DOH now estimates that the demand on Medicaid and other insurance program enrollment will necessitate a greater level of support from contract service providers as the local responsibility for these functions continues to be phased out. These cost increases will be offset by reduced local assistance support provided under the DOH Medicaid Global Cap, therefore eliminating any net impact to the General Fund balance and State Operating Funds spending estimates within the Updated Financial Plan.

- **Transfers to Capital Projects Funds:** General Fund transfers to Capital Projects Funds are expected to be $651 million lower than anticipated in the Enacted Budget Financial Plan. This is primarily attributable to an adjustment in the timing of General Fund transfers to the Dedicated Infrastructure Investment Fund (DIIF) for the *New* New York Bridge construction ($450 million). In May 2016, the New York State Thruway Authority ("Thruway Authority") issued bonds that will be used to pay for the costs of the bridge project. This funding will be used in advance of the Thruway Stabilization Program resources (in DIIF) being allocated, resulting in the General Fund transfers to DIIF declining in FY 2017 and increasing in FY 2018. In addition, General Fund transfers to Capital Projects Funds will be offset by higher than expected capital reimbursements from bond proceeds in FY 2017 ($200 million).

- **Transfers to Other Funds:** Certain reimbursements and transfers to other State funds have been reduced based on results to date and updated financing requirements.

Change in Reserves

- **Use of Collective Bargaining Reserve:** The Updated Financial Plan assumes that $60 million of the General Fund balance set aside for prior labor settlements will be used to fund the retroactive (i.e., FY 2016 and earlier) costs of the PEF and the Bureau of Criminal Investigation (BCI) labor agreements. The recurring costs will be covered by efficiencies within agency operating budgets, consistent with the practice for other labor agreements covering the FY 2011-16 period.

- **Set Aside Volkswagen Settlement:** Proceeds received by the State from the Volkswagen settlement are expected to be added to the existing balance of monetary settlements that have not been appropriated. After this addition, the total balance set aside is expected to total $695 million.

- **Timing of DIIF Transfers:** The timing of expected transfers from DIIF has been updated based on the anticipated funding needs of the Thruway Authority, as described herein.

Spending Changes

STATE OPERATING FUNDS SPENDING CHANGES SINCE THE ENACTED BUDGET INCREASE/(DECREASE) (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020
ENACTED BUDGET	**96,180**	**101,059**	**104,700**	**108,565**
Total	**34**	**110**	**111**	**70**
Veterans Pension Credit	144	103	103	62
East Ramapo Central School District	1	0	0	0
Labor Agreements	73	0	0	0
CHP Expanded Coverage for Newborns	1	5	5	5
Zika Virus	4	1	0	0
HIV/AIDS Services/Benefits to PA Recipients in NYC	10	31	31	31
Local Government Assistance Payment to Rochester	6	0	0	0
Debt Service	(125)	0	0	0
NYSOH Health Benefit Exchange QHP Update	(33)	0	0	0
Transit Aid (Revenue Revision)	(21)	(24)	(26)	(31)
All Other	(26)	(6)	(2)	3
FIRST QUARTERLY UPDATE [1]	**96,214**	**101,169**	**104,811**	**108,635**

[1] Before savings estimated from limiting annual spending growth in future years to 2 percent.

In general, the disbursement changes in the General Fund described above have a corresponding impact on State Operating Funds, with two exceptions. First, a portion of the retroactive cost of labor settlements will be incurred outside the General Fund ($13 million, for a total State Operating Funds cost of $73 million). Secondly, a modest reestimate has been made to mobility tax collections based on collections to date. The State collects and remits the entire amount of mobility tax collections, and estimated disbursements are adjusted to correspond to changes in estimated collections.

Annual Spending Growth

DOB estimates that spending in State Operating Funds will grow at 2.0 percent from FY 2016 to FY 2017, consistent with the 2 percent spending benchmark adopted by the current Administration in FY 2012. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 2.7 percent from FY 2016 to FY 2017, excluding extraordinary Federal aid related to disaster-related costs, Federal health care transformation, and spending for infrastructure needs from monetary settlement funds.

TOTAL DISBURSEMENTS (millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change	Annual % Change
STATE OPERATING FUNDS	**94,288**	**96,214**	**1,926**	**2.0%**
General Fund (excluding transfers)	56,666	59,586	2,920	5.2%
Other State Funds	31,987	31,511	(476)	-1.5%
Debt Service Funds	5,635	5,117	(518)	-9.2%
ALL GOVERNMENTAL FUNDS	**143,870**	**147,754**	**3,884**	**2.7%**
State Operating Funds	94,288	96,214	1,926	2.0%
Capital Projects Funds	8,981	11,371	2,390	26.6%
Federal Operating Funds	40,601	40,169	(432)	-1.1%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY AID)	**150,708**	**155,705**	**4,997**	**3.3%**
Federal Disaster Aid for Superstorm Sandy	1,165	1,160	(5)	-0.4%
Federal Health Care Reform	5,673	6,791	1,118	19.7%
GENERAL FUND (INCLUDING TRANSFERS)	**68,042**	**71,113**	**3,071**	**4.5%**
STATE FUNDS	**101,232**	**105,787**	**4,555**	**4.5%**

Overview of the Updated Financial Plan

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 2016 Results	FY 2017 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**62,653**	**64,774**	**2,121**	**3.4%**
School Aid (School Year Basis)	23,290	24,797	1,507	6.5%
DOH Medicaid[1]	17,453	18,134	681	3.9%
Transportation	4,745	4,931	186	3.9%
STAR	3,335	3,228	(107)	-3.2%
Social Services	2,949	2,934	(15)	-0.5%
Higher Education	2,955	3,009	54	1.8%
Mental Hygiene	2,646	2,538	(108)	-4.1%
All Other[2]	5,280	5,203	(77)	-1.5%
STATE OPERATIONS/FRINGE BENEFITS	**26,035**	**26,359**	**324**	**1.2%**
State Operations	**18,583**	**18,650**	**67**	**0.4%**
Personal Service:	12,981	12,896	(85)	-0.7%
Executive Agencies	7,236	7,218	(18)	-0.2%
Extra Bi-Weekly Institutional Pay Period	163	0	(163)	n/a
University Systems	3,675	3,723	48	1.3%
Elected Officials	1,907	1,955	48	2.5%
Non-Personal Service:	5,602	5,754	152	2.7%
Executive Agencies	2,747	2,864	117	4.3%
University Systems	2,279	2,282	3	0.1%
Elected Officials	576	608	32	5.6%
Fringe Benefits/Fixed Costs	**7,452**	**7,709**	**257**	**3.4%**
Pension Contribution	2,225	2,496	271	12.2%
Health Insurance	3,465	3,720	255	7.4%
Other Fringe Benefits/Fixed Costs	1,762	1,493	(269)	-15.3%
DEBT SERVICE	**5,598**	**5,078**	**(520)**	**-9.3%**
CAPITAL PROJECTS	**2**	**3**	**1**	**50.0%**
TOTAL STATE OPERATING FUNDS	**94,288**	**96,214**	**1,926**	**2.0%**
Capital Projects (State and Federal Funds)	**8,981**	**11,371**	**2,390**	**26.6%**
Federal Operating Aid[3]	**40,601**	**40,169**	**(432)**	**-1.1%**
TOTAL ALL GOVERNMENTAL FUNDS[3]	**143,870**	**147,754**	**3,884**	**2.7%**

[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.

[2] "All Other" includes public health, other education, local government assistance, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending for School Aid. On a State Fiscal Year basis, School Aid is estimated to total $24.4 billion in FY 2017, an increase of $1.12 billion from FY 2016.

[3] Federal Operating Funds and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy. All Funds disbursements, including these purposes, are expected to total $155.7 billion in FY 2017, an increase of 3.3 percent.

FY 2017 Financial Plan

DOB estimates that the Updated Financial Plan provides for balanced operations in the General Fund in FY 2017. General Fund disbursements are projected to exceed receipts by $172 million. The difference is funded with $87 million from the FY 2016 undesignated General Fund balance, $75 million from the balance set aside for prior-year labor settlements, and $10 million from the Community Projects Fund.

The following table summarizes the projected annual change from FY 2016 to FY 2017 in General Fund receipts, disbursements, and fund balances, with and without the impact of monetary settlements.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change: Dollar	Annual Change: Percent
Opening Fund Balance (Excluding Monetary Settlements)	2,633	2,634	1	0.0%
Total Receipts	66,336	68,620	2,284	3.4%
Taxes	62,581	64,639	2,058	3.3%
Miscellaneous Receipts/Federal Grants	2,800	2,778	(22)	-0.8%
Other Transfers	955	1,203	248	26.0%
Total Disbursements	66,335	68,792	2,457	3.7%
Local Assistance Grants	43,314	45,769	2,455	5.7%
Agency Operations	13,352	13,817	465	3.5%
Transfers to Other Funds[1]	9,669	9,206	(463)	-4.8%
Net Change in Operations	1	(172)	(173)	-17300.0%
Closing Fund Balance (Excluding Monetary Settlements)	2,634	2,462	(172)	-6.5%
Monetary Settlements				
Settlements on Hand as of April 1	4,667	6,300		
New Settlements Received	3,605	220		
Transfers/Uses	(1,972)	(2,493)		
Closing Fund Balance (Including Monetary Settlements)	8,934	6,489	(2,445)	-27.4%

[1] Excluded are transfers of monetary settlement receipts from the General Fund to (a) the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $901 million in FY 2017); (b) the mental hygiene account to fund a portion of a Federal disallowance for the Office for People with Developmental Disabilities (OPWDD) ($850 million in FY 2016); (c) the Environmental Protection Fund ($120 million in FY 2017); and (d) the temporary use of settlement funds to make cash advances for certain capital programs in FY 2017 ($1.3 billion).

As shown in the table above, the State expects to end FY 2017 with a General Fund cash balance of $6.5 billion, a decrease of $2.4 billion from FY 2016 results. The decline is due to the change in monetary settlements on hand. DOB intends to make transfers of monetary settlements on an as-needed basis over the next five years as spending occurs. Legislation included with the FY 2017 Enacted Budget Financial Plan provides transfer authority from the General Fund to DIIF for five years.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total $68.6 billion in FY 2017, an increase of $2.3 billion (3.4 percent) from FY 2016 results. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $64.6 billion in FY 2017, an increase of $2.1 billion (3.3 percent) from FY 2016 results.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $44.3 billion, an increase of $2.2 billion (5.2 percent) from FY 2016 results. This primarily reflects an increase in withholding and the acceleration of tax refund payments from FY 2017 into FY 2016.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $12.6 billion in FY 2017, an increase of $292 million (2.4 percent) from FY 2016 results, reflecting projected growth in taxable consumption.

General Fund business tax receipts are estimated at $5.8 billion in FY 2017, an increase of $103 million (1.8 percent) from FY 2016 results. This estimate reflects increased bank tax receipts stemming from a reduced number of prior period adjustments, slightly offset by declines across all other statutorily imposed business tax components.

Other tax receipts in the General Fund are expected to total $2 billion in FY 2017, a decrease of $516 million (-20.5 percent) from FY 2016 results. This primarily reflects an extraordinary level of estate tax collections in FY 2016 that are not expected to recur.

General Fund non-tax receipts and transfers are estimated at $4 billion in FY 2017, an increase of $226 million from FY 2016 results. The increase is primarily due to transfers from a variety of accounts that have accumulated resources 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 between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2017 Through 2020” herein.

Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total $68.8 billion in FY 2017, an increase of $2.5 billion (3.7 percent) from FY 2016[2]. Local assistance grants are expected to total $45.8 billion in FY 2017, an annual increase of $2.5 billion (5.7 percent) from FY 2016, including $968 million for School Aid (on a State fiscal year basis), $495 million for Medicaid and the EP, and $240 million for education programs outside of School Aid. Other increases reflect anticipated payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories and across fund types.

Disbursements for agency operations, including fringe benefits and fixed costs, in the General Fund are expected to total $13.8 billion in FY 2017, an increase from FY 2016 of $465 million (3.5 percent). Most executive agencies are expected to hold spending at FY 2016 levels. This increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. In addition, operating costs for many agencies are charged to several funds, as well as affected by offsets and accounting reclassifications.

General Fund transfers to other funds are estimated to total $9.2 billion in FY 2017, a decrease of $463 million from FY 2016. This change is comprised mainly of a lower level of transfers for debt service, which is primarily due to FY 2016 payments of FY 2017 expenses.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see “State Financial Plan Projections Fiscal Years 2017 Through 2020” herein.

[2] Note that the State continues to adhere to a 2 percent annual growth in spending benchmark on a State Operating Funds basis.

Closing Balance for FY 2017

DOB projects that the State will end FY 2017 with a General Fund cash balance of $6.5 billion, a decrease of $2.4 billion from FY 2016. The balance from monetary settlements is expected to total $4 billion, a decrease of $2.3 billion from FY 2016. The decrease in the amount drawn from the monetary settlement balance reflects the timing of planned transfers to other funds from which monetary settlements will be spent. The General Fund cash balance excluding settlements is estimated to be $2.5 billion, or $172 million lower than FY 2016 results. The decline reflects use of Community Projects Fund resources ($10 million) to support estimated spending and the use of resources carried in from FY 2016 ($162 million).[3]

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2017.

The Updated Financial Plan maintains a reserve of $500 million for debt management purposes in FY 2017, unchanged from the level held at the end of FY 2016. DOB will decide on the use of these funds based on market conditions, Updated Financial Plan needs, and other factors.

TOTAL BALANCES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**8,934**	**6,489**	**(2,445)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	63	53	(10)
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements Prior to FY 2017	15	90	75
Undesignated Fund Balance	237	0	(237)
Monetary Settlements	6,300	4,027	(2,273)
Programmed	5,755	3,332	(2,423)
Unbudgeted	545	695	150

[3] The undesignated fund balance carried forward from FY 2016 totaled $237 million, of which $90 million is held in reserve for potential costs of prior year labor agreements and the remaining $147 million is planned for use in FY 2017.

Cash Flow

The State 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 2017 to make all planned payments as they become due. 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 2017
(millions of dollars)

	General Fund	Other Funds	All Funds
April	10,893	3,337	14,230
May	7,751	4,338	12,089
June	7,210	5,010	12,220
July	6,742	5,722	12,464
August	6,450	5,645	12,095
September	9,914	3,690	13,604
October	8,936	3,954	12,890
November	7,010	3,405	10,415
December	9,916	3,122	13,038
January	11,217	4,187	15,404
February	11,228	4,292	15,520
March	6,489	2,508	8,997

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $8.8 billion in monetary settlements with financial institutions and Volkswagen. The following table lists the settlements by firm and amount. Note that the Updated Financial Plan does not reflect the August 2016 consent order between DFS and Mega Bank, pursuant to which Mega Bank has paid a $180 million monetary penalty to the State for its failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law.

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

	FY 2015	FY 2016	FY 2017	Total
Monetary Settlements	**4,942**	**3,605**	**213**	**8,760**
BNP Paribas	2,243	1,348	0	3,591
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	0	800
Credit Suisse AG	715	30	0	745
Commerzbank	610	82	0	692
Barclays	0	670	0	670
Credit Agricole	0	459	0	459
Bank of Tokyo Mitsubishi	315	0	0	315
Bank of America	300	0	0	300
Standard Chartered Bank	300	0	0	300
Goldman Sachs	0	50	190	240
Morgan Stanley	0	150	0	150
Bank Leumi	130	0	0	130
Ocwen Financial	100	0	0	100
Citigroup (State Share)	92	0	0	92
MetLife Parties	50	0	0	50
American International Group, Inc.	35	0	0	35
PricewaterhouseCoopers	25	0	0	25
AXA Equitable Life Insurance Company	20	0	0	20
Promontory	0	15	0	15
New Day	0	1	0	1
Volkswagen	0	0	30	30
Other Settlements	7	0	(7)	0

Uses of Monetary Settlements

The Updated Financial Plan reflects the Executive's intention to continue applying the majority of the settlement resources to fund capital investments and nonrecurring expenditures. The Enacted Budget Financial Plan reflects the authorized transfer of monetary settlement funds over a five-year period to DIIF to finance various appropriated purposes ($6.4 billion), as well as $120 million to the Environmental Protection Fund (EPF).

As reflected in the table below, other uses include $850 million to resolve Federal Office for People with Developmental Disabilities (OPWDD) disallowances in FY 2016. A portion of the monetary settlements is being used to support General Fund operations, as previously planned, as well as operational costs of the Department of Law's Litigation Services Bureau.

DOB expects to use monetary settlement resources to fund projects and activities over several years, allowing the State to carry a large, by historical standards, cash balance available in FY 2017 and FY 2018. The State plans to use these resources to make cash advances for certain capital programs in FY 2017 ($1.3 billion) and FY 2018 ($500 million). The cash advances are expected to be reimbursed fully with bond proceeds by the end of FY 2019. These bond-financed programs include higher education, economic development, and transportation programs.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS
(millions of dollars)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**4,027**	**2,676**	**1,476**	**744**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**213**	**0**	**0**	**0**	**0**	**8,760**
Use/Transfer of Funds	**275**	**1,972**	**2,486**	**1,351**	**1,200**	**732**	**49**	**8,065**
Capital Purposes:								
Transfer to Dedicated Infrastructure Investment Fund	0	857	901	2,151	1,700	732	49	6,390
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	120
Transfer to/(from) Capital Projects Fund	0	0	1,300	(800)	(500)	0	0	0
Other Purposes:								
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	627
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	5
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**4,027**	**2,676**	**1,476**	**744**	**695**	**695**

The following purposes will be funded with $6.5 billion of monetary settlement collections from capital appropriations[4]:

Thruway Stabilization ($2.0 billion): The Enacted Budget Financial Plan continues to reflect investments in Thruway infrastructure adding $700 million to last year's commitment of $1.3 billion. The investment will support both the *New* NY Bridge project and other transportation infrastructure needs for the rest of the Thruway system.

Upstate Revitalization Program ($1.7 billion): Funding for the Upstate Revitalization Initiative (URI). In 2015, $1.5 billion was awarded to the three Upstate regions selected as URI best plan awardees. The Enacted Budget Financial Plan includes an additional $200 million ($170 million from monetary settlements) to support projects in the remaining four eligible Upstate regions.

Affordable and Homeless Housing ($640 million): The Enacted Budget Financial Plan supports a multi-year investment in affordable housing services, and provides housing opportunities for individuals and families who are homeless or at risk of homelessness. Funds will be invested over the next five years to create new housing opportunities for individuals and families in need of supportive services, as well as to assist vulnerable populations in securing stable housing.

Broadband Initiative ($500 million): Funding is included in the Enacted Budget Financial Plan for the New NY Broadband Fund Program to expand the availability and capacity of broadband across the State, or development of other telecommunication infrastructure. This program is intended to expand the creation of high-speed networks and promote broadband adoption.

Health Care/Hospitals ($400 million): The Enacted Budget Financial Plan provides $355 million in grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities, to create a financially sustainable system of care intended to promote a patient-centered model of health care delivery. An essential health care provider is a hospital or hospital system that offers health services in a region deemed by the Health Commissioner to be underserved. Funding may be used to restructure debt obligations or fund capital improvements to facilitate mergers and consolidations of hospitals in rural communities. The Enacted Budget Financial Plan also funds capital expenses of the Roswell Park Cancer Institute ($15.5 million); a community health care revolving loan ($19.5 million); and IT and other infrastructure costs associated with the inclusion of behavioral health services in the Medicaid Managed Care benefit package ($10 million).

Penn Station Access ($250 million): The Metropolitan Transportation Authority (MTA) Penn Station Access project, which will open a new Metro-North link directly into Penn Station, is expected to provide enhanced system resiliency, improvement in regional mobility, and construction of four new Metro-North stations in the Bronx.

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[4] The funding of $6.5 billion is reflected in the multi-year totals for transfers to the Dedicated Infrastructure Investment Fund ($6.39 billion) and the Environmental Protection Fund ($120 million).

Transportation Capital Plan ($200 million): The Enacted Budget Financial Plan allocates funds to transportation infrastructure projects across the State.

Municipal Restructuring and Consolidation Competition ($170 million): The Enacted Budget Financial Plan includes $20 million in funding for a new Municipal Consolidation Competition to encourage the reduction of costs through a competitive process to be administered by the Department of State (DOS). This funding is in addition to $150 million allocated last year to assist and encourage local governments and school districts to implement shared services, cooperation agreements, mergers, and other actions that permanently reduce operational costs and property tax burdens.

Resiliency, Mitigation, Security, and Emergency Response ($150 million): The Enacted Budget Financial Plan funds preparedness and response efforts related to severe weather events, as well as efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.

Transformative Economic Development Projects ($150 million): The Enacted Budget Financial Plan includes funds for investment that are intended to catalyze private investment, spurring significant economic development and job creation to help strengthen the economies in the communities in Nassau and Suffolk counties.

Infrastructure Improvements ($115 million): Funding is included in the Enacted Budget Financial Plan for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other projects.

Economic Development ($85 million): The Enacted Budget Financial plan continues to reflect funding for the economic development strategy of creating jobs, strengthening and diversifying economies, and generating economic opportunities across the State, including investments in infrastructure.

Southern Tier/Hudson Valley Farm Initiative ($50 million): Funding is included in the Enacted Budget Financial Plan to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.

Empire State Poverty Reduction Initiative (ESPRI) ($25 million): To combat poverty throughout the State, the Enacted Budget Financial Plan includes $25 million for the ESPRI. This program will bring together State and local government, nonprofits, and community groups to design and implement coordinated solutions for addressing poverty in 16 municipalities: Albany, Binghamton, the Bronx, Buffalo, Elmira, Hempstead, Jamestown, Newburgh, Niagara Falls, Oneonta, Oswego, Rochester, Syracuse, Troy, Utica, and Watertown.

Environmental Protection Fund (EPF) ($120 million): The Enacted Budget Financial Plan directs monetary settlement resources to the EPF. These and other EPF resources would provide dedicated funding to communities throughout New York State to improve the environment, combat climate change, and reduce greenhouse gas emissions.

Monetary settlement resources will be used as a temporary advance to: (i) meet initial funding requirements for the Javits expansion project and (ii) support $1.3 billion of bond-financed capital disbursements. The table below shows the schedule for these temporary uses.

TEMPORARY USE OF MONETARY SETTLEMENTS FOR CAPITAL PROJECTS FUNDS
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Total Settlement Funds Replenished/(Used)	**(1,300)**	**640**	**150**	**180**	**330**	**0**
Transfer to DIIF for Javits Center Expansion	0	(160)	(350)	(320)	(170)	(1,000)
Bond Proceed Receipts for Javits Center Expansion	0	0	0	500	500	1,000
Management of Debt Issuances	(1,300)	800	500	0	0	0

Javits Expansion: Spending for the Javits expansion will be supported by settlement funds in the first instance, beginning in FY 2018. Subsequently, these expenses will be reimbursed by proceeds from bonds that are planned to be issued in FYs 2020 and 2021.

Management of Debt Issuances: A total of $1.3 billion of capital spending for higher education, transportation and economic development will be funded initially from the settlement fund balances set aside in the General Fund. These funds will be made available for the projects appropriated from DIIF when the State reimburses the $1.3 billion of spending with bond proceeds anticipated in FY 2018 ($800 million) and FY 2019 ($500 million). As a result of these reimbursements, it is anticipated that transfers from the General Fund to support the Capital Projects Fund will be lower in FYs 2018 and 2019 by $800 million and $500 million, respectively.

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April – June 2016
Operating Results

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April – June 2016 Operating Results

This section provides a summary of operating results for April 2016 through June 2016 compared to (1) the initial projections set forth in the FY 2017 Enacted Budget Financial Plan; and (2) the results for the prior fiscal year (April 2015 through June 2015). The results below include monetary settlements.

General Fund Results

Monetary settlements continue to have a dramatic effect on the State's overall cash position and currently account for $6 billion of the $7.2 billion General Fund closing balance. The last sizeable monetary settlement payment received was $190 million in May 2016, of which $127 million was deposited into the General Fund.

In the General Fund, total receipts through June 2016 were below Enacted Budget Financial Plan projections by $415 million, while spending through June 2016 exceeded Enacted Budget Financial Plan projections by $561 million, resulting in a fund balance $976 million lower than Enacted Budget Financial Plan projections.

GENERAL FUND OPERATING RESULTS
APRIL THROUGH JUNE 2016
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**8,934**	**8,934**	**0**
Total Receipts	**18,955**	**18,540**	**(415)**
Taxes:	18,181	17,715	(466)
Personal Income Tax[1]	13,450	12,855	(595)
Consumption / Use Taxes[1]	3,164	3,246	82
Business Taxes	1,089	1,113	24
Other Taxes[1]	478	501	23
Receipts and Grants	733	758	25
Transfers From Other Funds	41	67	26
Total Spending	**19,703**	**20,264**	**561**
Local Assistance	11,993	12,350	357
Agency Operations (including GSCs)	4,829	4,996	167
Debt Service Transfer	242	240	(2)
Capital Projects Transfer	454	448	(6)
State Share of Mental Hygiene Medicaid Transfer	335	362	27
SUNY Operations Transfer	639	638	(1)
All Other Transfers	1,211	1,230	19
Change in Operations	**(748)**	**(1,724)**	**(976)**
Closing Balance	**8,186**	**7,210**	**(976)**

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

Tax collections in total were $466 million lower than projected in the Enacted Budget Financial Plan. The lower PIT collections ($595 million) were primarily driven by weaker than expected baseline growth in PIT receipts, particularly estimated payments, as a result of an unexpected decline in both the number of payments and the size of average payments. Higher than projected consumption/use taxes ($82 million), relative to the Enacted Budget Financial Plan, were associated with stronger than anticipated June 2016 sales tax collections, which was partially associated with timing of audit receipts. The Updated Financial Plan includes forecast revisions which address the underlying weakness in base tax growth.

Through June 2016, General Fund disbursements, including transfers to other funds, were $561 million higher than initially projected, primarily due to local assistance ($357 million) and agency operations ($167 million).

Local assistance over-spending was primarily driven by Medicaid and EP payments, partly offset by under-spending for education, social services and other local assistance programs. Spending for Medicaid was higher than planned as a result of timing delays related to the receipt of certain offsets and audit recoveries planned through June 2016, which are now expected to be received in later months, as well as unanticipated State share costs for the EP to offset a shortfall in Federal funding during the first quarter of FY 2017 when enrollment for the program increased significantly. State share costs for the EP, after the utilization of available Federal funds, are managed within total available resources of the DOH Medicaid Global Cap.

Spending for agency operations was above planned levels as a result of slightly higher PS costs in several large agencies, including the Department of Corrections and Community Supervision (DOCCS) and Judiciary. GSC expenses were also higher than anticipated due to a one-month delay in the application of available offsets to workers' compensation payments, which will be corrected by September 2016, and higher fixed costs for litigation and court of claims payments.

April – June 2016 Operating Results

State Operating Funds Results

The State ended June 2016 with a closing balance of $12.5 billion in State Operating Funds, or $782 million below the FY 2017 Enacted Budget Financial Plan projection. This variance is driven by lower receipts ($212 million) and higher spending ($630 million), partly offset by higher financing from other sources ($60 million).

STATE OPERATING FUNDS RESULTS
APRIL THROUGH JUNE 2016
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**12,641**	**12,641**	**0**
Total Receipts	**24,647**	**24,435**	**(212)**
Taxes:	19,974	19,526	(448)
Personal Income Tax	13,892	13,293	(599)
Consumption / Use Taxes	3,853	3,938	85
Business Taxes	1,425	1,466	41
Other Taxes	804	829	25
Miscellaneous/Federal Receipts	4,673	4,909	236
Total Spending	**24,060**	**24,690**	**630**
Local Assistance	15,794	16,190	396
Agency Operations (including GSCs)	7,900	8,134	234
Debt Service	366	366	0
Capital Projects	0	0	0
Other Financing Sources	**103**	**163**	**60**
Change in Operations	**690**	**(92)**	**(782)**
Closing Balance	**13,331**	**12,549**	**(782)**

Through June 2016, total receipts in State Operating Funds were $212 million lower than the FY 2017 Enacted Budget Financial Plan projections, including lower overall tax collections consistent with the General Fund explanation provided above. Higher miscellaneous receipts were driven by strong first quarter HCRA surcharge collections, reflecting continued growth in the utilization of health care services throughout the State. The growth in the utilization of health care services is, in part, a byproduct of expanded health insurance coverage provided under the ACA. The deposit of $63 million from unanticipated monetary settlement collections into the Attorney General's litigation special revenue account also drove higher receipts through June 2016.

Compared to the Enacted Budget Financial Plan projections, State Operating Funds spending was $630 million above plan, or 2.6 percent higher. Consistent with the General Fund explanations above, driving the majority of the State Operating Funds variance was spending associated with Medicaid and agency operations (including GSCs). In addition to the General Fund variances, higher local assistance spending was also driven by transit aid payments to the MTA, reflecting additional disbursements based on the timing of dedicated revenue deposits which were higher than planned in June 2016.

Total State operations' spending was $234 million higher than Enacted Budget Financial Plan projections, which, in addition to the General Fund factors described above, was largely driven by higher fringe and operational expenses of SUNY.

All Governmental Funds Results

The State ended June 2016 with an All Governmental Funds closing balance of $12.2 billion, $895 million below the initial projection. Lower receipts ($832 million) and higher spending ($71 million) primarily contributed to the variance.

All GOVERNMENTAL FUNDS RESULTS
APRIL THROUGH JUNE 2016
(millions of dollars)

	Enacted Plan	Results	Above/(Below) Variance
Opening Balance	**11,810**	**11,810**	**0**
Total Receipts	**39,252**	**38,421**	**(832)**
Taxes:	20,289	19,835	(455)
Personal Income Tax	13,892	13,293	(600)
Consumption / Use Taxes	4,005	4,089	84
Business Taxes	1,576	1,612	36
Other Taxes	816	841	25
Miscellaneous Receipts	5,974	5,904	(70)
Federal Grants	12,989	12,682	(307)
Total Spending	**37,929**	**38,000**	**71**
State Operating Funds:	24,060	24,690	630
Local Assistance	15,794	16,190	396
Agency Operations (including GSCs)	7,900	8,134	234
Debt Service	366	366	0
Capital Projects	0	0	0
Capital Projects Funds	2,158	1,923	(235)
Federal Operating Funds	11,711	11,387	(324)
Other Financing Sources	**(19)**	**(11)**	**8**
Change in Operations	**1,304**	**410**	**(895)**
Closing Balance	**13,114**	**12,220**	**(895)**

April – June 2016 Operating Results

Through June 2016, total All Funds receipts were $832 million lower than the FY 2017 Enacted Budget Financial Plan projections, mainly due to lower PIT, which is consistent with the explanations described earlier. The lower miscellaneous receipts reflect the combination of higher State Operating Funds resources, driven largely by HCRA and monetary settlement revenues, partly offset by lower bond proceeds collections in Capital Funds as a result of delayed bond sales and bond proceeds reimbursement to the DHBTF. Lower than anticipated Federal Grants are directly attributable to lower than anticipated Federal disbursements, as described in more detail below.

Through June 2016, All Funds spending was $71 million higher than planned. Offsetting the higher State Operating Funds spending was lower Capital Funds spending, as explained above, and lower Federal operating spending. Lower federal spending, as compared to the Enacted Budget Financial Plan projections, was primarily due to the timing of payments across a number of program areas, most notably in the areas of Medicaid, OTDA welfare, and Homeland Security for disaster assistance.

All Governmental Funds Annual Change

All Governmental Funds results, as compared to the same period during the prior year, include a higher opening balance ($2.5 billion), a decline in receipts ($784 million), and higher spending ($4.2 billion). The combination of these annual changes resulted in a $2.5 billion decline in overall balance.

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
April through June
(millions of dollars)

	FY 2016 Results	FY 2017 Results	Increase/(Decrease) $	%
Opening Balance	**9,356**	**11,810**	**2,454**	
Total Receipts	**39,205**	**38,421**	**(784)**	**-2.0%**
Taxes:	20,633	19,835	(798)	-3.9%
Personal Income Tax	13,844	13,293	(552)	-4.0%
Consumption / Use Taxes	4,000	4,089	89	2.2%
Business Taxes	1,777	1,612	(165)	-9.3%
Other Taxes	1,012	841	(171)	-16.9%
Miscellaneous Receipts	7,566	5,904	(1,662)	-22.0%
Federal Grants	11,006	12,682	1,676	15.2%
Total Spending	**33,790**	**38,000**	**4,210**	**12.5%**
State Operating Funds:	21,809	24,690	2,881	13.2%
Local Assistance	15,014	16,190	1,176	7.8%
Agency Operations (including GSCs)	6,210	8,134	1,924	31.0%
Debt Service	585	366	(219)	-37.4%
Capital Projects	0	-	(0)	-100.0%
Capital Projects Funds	1,497	1,923	426	28.4%
Federal Operating Funds	10,484	11,387	903	8.6%
Other Financing Sources	**(7)**	**(11)**	**(4)**	
Change in Operations	**5,408**	**410**	**(4,998)**	
Closing Balance	**14,764**	**12,220**	**(2,544)**	

April – June 2016 Operating Results

All Funds tax receipts during the first quarter of FY 2017 were $784 million lower than the first quarter of FY 2016 results, including PIT collections ($552 million) due to decline in quarterly estimated tax payments, reflecting both the number of payments and the size of average payments. In total, PIT collections through the first quarter of FY 2017 are down 4 percent from the first quarter of FY 2016.

A year-over-year decline in first quarter business tax receipts ($165 million) primarily reflects lower gross receipts and lower receipts resulting from audits conducted by the State. Also contributing to the decline, corporation franchise taxpayers overpaid their liability in June 2015 due to the uncertainty concerning the first year of corporate tax reform.

The year-over-year decline in first quarter results for other taxes ($171 million) was primarily the result of three abnormally large estate tax payments occurring during the first quarter of FY 2016, while no such payments occurred during the first quarter of FY 2017.

Miscellaneous receipts during the first quarter of FY 2017 were $1.7 billion below the first quarter results of FY 2016, largely due to the receipt of one-time settlement proceeds in FY 2016, particularly $1.3 billion from BNP Paribas and $600 million from Deutsche Bank.

The $1.7 billion annual growth in Federal grants were driven by growth in spending related to the Medicaid and EP programs.

For the period of April through June 2016, All Funds spending was $4.2 billion higher than the same period of the prior year, which was comprised of growth in State Operating Funds ($2.9 billion), Federal Operating Funds ($903 million), and Capital Projects Funds ($426 million).

State Operating Funds spending for the first three months of FY 2017 exceeded spending in the same period in the prior year by $2.9 billion, or 13.2 percent. The largest contributor to this variance is the full payment of the State's $1.9 billion pension bill in April 2016, while full payment of the pension bill in the prior fiscal year was not completed until July 2015. In addition, School Aid spending increased by $336 million due to the increase enacted last year for the 2015-16 school year. Changes in the timing of certain Medicaid receivables, including anticipated audit recoveries and spending offsets that are now scheduled for later months, drive higher Medicaid costs above budget growth levels. Payment schedules, including payroll, and the advance payment of debt service and other expenses are the main contributors of the remaining year-to-year changes.

Federal spending growth was largely driven by higher Medicaid spending ($1.3 billion) consistent with budgeted growth and the impact of the ACA, which is further driven by the annualized impact of new spending for the EP. This growth was offset by reduced spending in Education ($159 million) and public assistance ($195 million) due to the timing of payments.

Growth in capital projects spending is primarily attributable to the Special Infrastructure spending from designated monetary settlement funds ($192 million), Empire State Development (ESD) ($69 million), and State and Municipal Facilities ($51 million).

Other Matters Affecting the Financial Plan

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Other Matters Affecting the State Financial Plan

General

The State's Updated 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 Updated 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 fiscal years, assisting in 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 Updated 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.

Among other factors, the Updated 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 Updated 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 Updated 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; 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 Updated 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, the budgets enacted for FYs 2014 through 2017 authorized spending for School Aid to increase above personal income growth that would otherwise be used to calculate the school year increases. The FY 2017 Enacted Budget Financial Plan includes a 6.5 percent School Aid increase, compared to personal income indexed rate of 3.9 percent.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. Over the past five years, DOH State Funds Medicaid spending levels have been maintained at or below indexed levels. 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 forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of miscellaneous revenues at the levels expected in the Updated 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 Updated Financial Plan in current or future years.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, calculating total General Fund disbursements cautiously (i.e., to a level they are unlikely to reach) 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 the tools available to mitigate risks are 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 address response to, and recovery from, severe weather events and other disasters. Despite modest legislative adjustments to the budgetary caps contained in the Budget Control Act of 2011, the possibility for a reduction in Federal support is elevated so long as the caps remain in place. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

Medicaid Redesign Team (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, New York 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 extending through March 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 Updated 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.

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

The "Cadillac Tax" is a 40 percent excise tax to be assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The tax was passed into law in 2010 as a component of the Federal ACA. That law was amended in December 2015 to delay the effective date of the tax from calendar year 2018 to calendar year 2020. Final guidance from the Internal Revenue Service is pending. DOB has no current estimate as to the potential financial impact on the State from this Federal excise tax.

Current Labor Negotiations (Current Contract Period)

The State and NYSPIA recently 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 recently enacted NYSPIA pay bill will provide the same schedule of general salary increases provided to NYSPBA members; specifically, a two 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. NYSPIA and NYSPBA are the only two unions with collectively negotiated agreements in place beyond FY 2016. The State is in active negotiations with all other employee unions.

The State also settled a one-year retroactive labor agreement, and a pay bill was enacted, authorizing payment of a 2 percent general salary increase to members of the New York State Public Employees Federation (PEF) for the period April 1, 2015 through March 31, 2016. This agreement makes PEF contracts consistent with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose last salary increase was at the end of FY 2015.

The State is prepared to negotiate fiscally responsible successor agreements with all of these unions. The State Operating Funds cost of providing a 1 percent general salary increase effective in FY 2017 for PEF, PBANYS, CSEA, UUP, NYSCOPBA, Council 82, DC-37 Housing and GSEU and unrepresented management/confidential (M/C) employees is approximately $130 million annually.

On June 27, 2016, the City University of New York (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, to make resources available for retroactive payments in the academic year ending June 2017, the State expects to advance its planned payment, from October 2017 to June 2017, of approximately $250 million in planned State support for CUNY senior colleges.

Pension Amortization[5]

Background

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.

In FY 2016, the State made a total pension payment to the New York State and Local Retirement System (NYSLRS) of $1.7 billion, and amortized $296.7 million (the maximum amount allowable). In addition, the State's Office of Court Administration (OCA) made a total pension payment of $263.6 million, and amortized $59.5 million (the maximum amount legally allowable). The total deferred amount of the FY 2016 pension payment — $356.2 million — will be repaid with interest over the next ten years, with the final payment being made in FY 2026.

The State is required to begin repayment on each new amortization in the fiscal year immediately following the year in which the deferral was made. The full amount of each amortization, with interest, must be repaid within ten years, but the amount can be paid off sooner. The annual interest rate on each new amortization is determined by OSC, and is fixed for the entire term of the deferral. Legislation included in the FY 2017 Enacted Budget authorizes the State to prepay annual installments of principal associated with an amortization, prior to the expiration of the amortization repayment schedule, and thus only be required to make the related interest payments during the subsequent fiscal years associated with such prepayments. This option does not allow the State to extend the ten-year repayment schedule, nor does it allow for the interest rate initially applied to the amortization amount to be modified.

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

For amounts amortized in FY 2011 through FY 2016, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent and 3.21 percent, respectively. The normal annual employer contribution to the NYSLRS is based on rates established by the NYSLRS Actuary using the annual fund valuation and actuarially prescribed policies and procedures. Employer contribution rates are established for both the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS). These rates are then applied to the State-employee salary base for each respective employee group. The State's normal annual contribution is the total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs, administrative costs, and prior-year adjustments.

The amortization rates (i.e., the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to 1 percentage point per year. When the average normal rate is more than 1 percentage point greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percentage point greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates. The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Updated Financial Plan no longer assumes amortization of State and OCA pension costs beyond FY 2016.

For both the ERS and the PFRS, the following table provides: i) system average normal rates; and ii) amortization (graded) rates.

	New York State Employees' Retirement System (ERS)		New York State Police and Fire Retirement System (PFRS)	
Fiscal Year (FY)	Normal Rates (GLIP Portion)[1]	Graded Rates (does not apply to GLIP)	Normal Rates (GLIP Portion)	Graded Rates (does not apply to GLIP)
FY 2011	11.9 (0.4)	9.5	18.2 (0.1)	17.5
FY 2012	16.3 (0.4)	10.5	21.6 (0.0)	18.5
FY 2013	18.9 (0.4)	11.5	25.8 (0.1)	19.5
FY 2014	20.9 (0.4)	12.5	28.9 (0.0)	20.5
FY 2015	20.1 (0.4)	13.5	27.6 (0.1)	21.5
FY 2016	18.2 (0.5)	14.5	24.7 (0.0)	22.5
FY 2017	15.5 (0.4)	15.1	24.3 (0.0)	23.5

[1] Group Life Insurance Plan (GLIP) portion reflected in parenthesis along with normal rates.

Outyear Projections

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 (ERS and PFRS) 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. Factoring in these and other assumptions, the average contribution rate for ERS will decrease from 18.2 percent of payroll to 15.5 percent, or about 15 percent, while the average contribution rate for PFRS will decrease from 24.7 percent of payroll to 24.3 percent, or approximately 2 percent.

The FY 2017 ERS/PFRS pension payment estimate of $2.3 billion incorporates the most recent estimate prepared by OSC as of April 2016. This includes payment of prior amortizations totaling $432 million and additional interest savings from paying the non-Judiciary and Judiciary pension bills in April 2016. Total payment estimates include both the non-Judiciary and Judiciary components, and reflect payment of the entire pension bill, with no additional amortization.

The pension estimate also reflects changes to military service credit provisions enacted during the 2016 legislative session (chapter 41 of the laws of 2016), allowing all veterans who are members of a New York State or local retirement system to 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 its employees will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year. 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 who participate in that section of law. The State is also permitted to amortize the first year of past service costs associated with this credit; however, the State has not yet chosen this option as the application experience will not be documented until December 31, 2016, and there would be an interest rate of 7 percent applied to this amortization. DOB currently estimates the cost to the State (including the costs covered for local ERS) to be $144 million in FY 2017; $103 million in FYs 2018 and 2019; and $62 million in FY 2020.

The following table provides aggregate pension costs across all the various systems associated with State employees: i) ERS for both the Executive branch and Judiciary; ii) PFRS for the Executive; iii) Teachers' Retirement System (TRS) for both SUNY and the State Education Department (SED); iv) Optional Retirement Program (ORP) for both SUNY and SED; and v) NYS Voluntary Defined Contribution Plan (VDC). Amortization (graded) rates, deferrals and repayments are provided for ERS (Executive and Judiciary) and PFRS (Executive).

STATE PENSION COSTS AND AMORTIZATION SAVINGS
(millions of dollars)

	Amortization Thresholds (Graded Rate)		Statewide Pension Payments*			
Fiscal Year	ERS (%)	PFRS (%)	Gross Pension Costs	(Amortization Amount)/ Excess Contributions	Repayment of Amortization (incl. FY 2005 and FY 2006)	Total Statewide Pension Payments
2011	9.5	17.5	1,633	(250)	87	1,470
2012	10.5	18.5	2,140	(563)	119	1,696
2013	11.5	19.5	2,192	(779)	188	1,601
2014	12.5	20.5	2,744	(937)	279	2,086
2015	13.5	21.5	2,438	(713)	393	2,118
2016	14.5	22.5	2,189	(356)	392	2,225
2017	15.1	23.5	2,064	0	432	2,496
2018	15.1	23.8	2,133	0	432	2,565
2019	14.6	23.3	2,116	0	432	2,548
2020	14.8	23.5	2,130	0	432	2,562

*Includes ERS, PFRS, TRS, ORP and VDC.

The next table reflects projected pension contributions and amortizations exclusively for the Executive branch and Judiciary employees participating in the ERS and PFRS. The "Normal Costs" column shows the amount of the State's pension cost prior to amortization, as authorized in 2010. The "(Amortized) / Excess Contributions" column shows amounts deferred (i.e., amortized) or payments of outstanding contingencies. The "Amortization Payments" column provides the amount paid in a given fiscal year (principal and interest on deferrals) as authorized in 2010. The "Total" column provides the State's actual or planned pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS
(millions of dollars)

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.8	(713.1)	305.6	1,918.3
Projections:				
2016	1,972.2	(356.2)	389.9	2,005.9
2017	1,840.2	0.0	432.1	2,272.3
2018	1,904.9	0.0	432.1	2,337.0
2019	1,883.1	0.0	432.1	2,315.2
2020	1,892.2	0.0	432.1	2,324.3
2021	1,884.8	0.0	432.2	2,317.0
2022	1,977.9	0.0	399.8	2,377.7
2023	1,993.5	0.0	331.3	2,324.8
2024	2,009.1	0.0	240.1	2,249.2
2025	2,024.4	0.0	126.5	2,150.9
2026	2,039.6	0.0	42.2	2,081.8
2027	2,054.3	0.0	0.0	2,054.3
2028	2,068.9	0.0	0.0	2,068.9
2029	2,061.5	0.0	0.0	2,061.5
2030	2,052.1	0.0	0.0	2,052.1
2031	2,040.1	0.0	0.0	2,040.1

[1] Pension contribution values in this table do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System 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 will end in FY 2016 as a result of early repayments.

Net Pension Liability

The State recognizes new Governmental Accounting Standards Board (GASB) Statement 68 (Accounting and Financial Reporting for Pensions), which replaces the requirements of GASB Statement 27 and GASB Statement 50, and is incorporated into the State's FY 2016 Basic Financial Statements. GASB Statement 68 requires governments providing defined pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The State's net pension liability related to the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System, as reported in the State's financial statements for FY 2016, is $1.6 billion ($1.4 billion for the State; $180 million for SUNY, and $2 million for Lottery). GASB Statement 68 is not expected to alter DOB's Updated Financial Plan projections for pension payments, and the DOB methodology for forecasting these costs over a multiyear period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the statement.

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 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. Driving a significant portion of the annual growth in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries, reflecting an improvement in life expectancy in future years, and resulting in increases to accrued liabilities and the present value of projected benefits.

Also driving a portion of the annual growth are the 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 $1.166 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 $2.567 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 2015. 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 Updated 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 Updated 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 also 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 Updated Financial Plan 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 statement.

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 Updated Financial Plan.

Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. 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 are being processed, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. 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.

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 Updated Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or 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 maximum terms of 30 years. The 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. The State was in compliance with the statutory caps in the most recent calculation period (FY 2015).

DOB projects 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 $4.9

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 2016	1,143,076	4.00%	45,723	40,814	4,909	3.57%	0.43%	9,415	50,229
FY 2017	1,193,755	4.00%	47,750	42,879	4,871	3.59%	0.41%	8,111	50,990
FY 2018	1,253,602	4.00%	50,144	48,067	2,077	3.83%	0.17%	6,813	54,880
FY 2019	1,315,073	4.00%	52,603	51,743	859	3.93%	0.07%	5,771	57,515
FY 2020	1,377,503	4.00%	55,100	54,795	305	3.98%	0.02%	4,895	59,690
FY 2021	1,441,044	4.00%	57,642	57,221	421	3.97%	0.03%	3,421	60,642

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (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 2016	153,265	5.00%	7,663	4,087	3,576	2.67%	2.33%	1,492	5,579
FY 2017	152,357	5.00%	7,618	4,355	3,263	2.86%	2.14%	698	5,053
FY 2018	158,594	5.00%	7,930	4,757	3,173	3.00%	2.00%	1,485	6,242
FY 2019	159,556	5.00%	7,978	5,357	2,621	3.36%	1.64%	1,400	6,757
FY 2020	163,563	5.00%	8,178	5,832	2,347	3.57%	1.43%	1,386	7,218
FY 2021	170,216	5.00%	8,511	6,217	2,294	3.65%	1.35%	1,228	7,444

billion in FY 2016 to $305 million in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. 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.

The table below reflects the changes in State debt capacity under its statutory debt cap since the release of the Enacted Budget Financial Plan. In the Updated Financial Plan, DOB revised its forecast of personal income resulting in the loss of debt capacity ranging from $30 million to $130 million in FY 2019 to FY 2021. This loss in debt capacity is largely offset by lower capital spending estimates, based on capital activity to date and updated forecasts.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Enacted Budget Financial Plan	**4,885**	**4,747**	**1,889**	**645**	**105**	**284**
Personal Income Forecast Adjustment	24	22	90	(30)	(82)	(130)
Capital Reestimates	0	102	98	244	282	267
First Quarterly Update Financial Plan	**4,909**	**4,871**	**2,077**	**859**	**305**	**421**

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. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, which 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, 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, 2016, there were approximately $257 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining financially distressed hospitals, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014 when $12 million was paid, and again in FY 2015 and FY 2016 when $24 million and $19 million were paid, respectively. DASNY also estimates the State will pay debt service costs of approximately $25 million in FY 2017, and approximately $14 million annually in FY 2018 through FY 2021. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for the hospital that currently is not meeting the terms of its loan agreement with DASNY as mentioned above, a second financially distressed hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $24 million annually, if all financially distressed hospitals 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 (the "May 2011 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 ("Downstate Hospital"). 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. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

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. The external demolition of the buildings had been the subject of a court ordered restraint that was removed as of October 29, 2015. In its efforts to complete the demolitions and environmental remediation, the Purchaser has continued to deal with challenges 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 construction 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.

State Financial Plan Projections Fiscal Years 2017 Through 2020

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State Financial Plan Projections – FYs 2017 through 2020

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2017 through FY 2020, with an emphasis on the FY 2017 projections.

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 40 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, 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 Updated Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2017 budget, FY 2018, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2017 Through 2020

Summary

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

The projections for FY 2018 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the current Administration continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled on a distinct line in the Updated Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” The total disbursements in the Updated 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 2017, FY 2018, FY 2019, and FY 2020, the projected budget gaps would be higher.

The following tables present the Updated 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 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes (After Debt Service)	62,581	64,638	67,596	67,700	70,421
Miscellaneous Receipts/Federal Grants	5,842	2,827	2,487	2,456	2,336
Other Transfers	1,253	1,203	751	750	734
Total Receipts	**69,676**	**68,668**	**70,834**	**70,906**	**73,491**
DISBURSEMENTS					
Local Assistance Grants	43,314	45,769	48,967	51,595	54,450
School Aid	20,133	21,101	22,579	23,896	25,211
Medicaid/EP	12,136	12,631	13,517	14,421	15,403
All Other	11,045	12,037	12,871	13,278	13,836
State Operations	7,955	8,265	8,681	8,530	8,668
Personal Service	6,011	6,012	6,068	6,104	6,166
Non-Personal Service	1,944	2,253	2,613	2,426	2,502
General State Charges	5,397	5,552	5,916	6,124	6,467
Transfers to Other Funds	11,376	11,527	11,860	12,039	12,191
Debt Service	1,196	706	1,260	1,182	1,076
Capital Projects	2,721	3,810	3,469	3,399	3,311
State Share of Mental Hygiene Medicaid	2,036	1,437	1,325	1,301	1,236
SUNY Operations	998	996	1,001	997	997
All Other	4,425	4,578	4,805	5,160	5,571
Total Disbursements	**68,042**	**71,113**	**75,424**	**78,288**	**81,776**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**3,031**	**4,710**	**6,532**
Use (Reservation) of Fund Balance:	**(1,634)**	**2,445**	**1,352**	**1,200**	**731**
Community Projects Fund	11	10	0	0	0
Labor Agreements Prior to FY 2017	35	75	0	0	0
Undesignated Fund Balance	(47)	87	0	0	0
Monetary Settlements[2]	(1,633)	2,273	1,352	1,200	731
Programmed	(1,088)	2,423	1,352	1,200	731
Unbudgeted	(545)	(150)	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**(207)**	**(1,472)**	**(1,022)**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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.

[2] FY 2016 and FY 2017 reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $901 million in FY 2017); the Environmental Protection Fund ($120 million in FY 2017); and the mental hygiene account for Federal disallowance repayment ($850 million in FY 2016).

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes	73,279	75,207	78,579	79,357	82,503
Miscellaneous Receipts/Federal Grants	23,328	19,232	18,650	18,838	18,553
Total Receipts	**96,607**	**94,439**	**97,229**	**98,195**	**101,056**
DISBURSEMENTS					
Local Assistance Grants	62,653	64,774	67,842	70,696	73,516
School Aid (School Year Basis)	23,290	24,797	25,906	27,219	28,599
DOH Medicaid	17,453	18,134	18,934	19,828	20,691
Transportation	4,745	4,931	5,016	5,071	5,161
STAR	3,335	3,228	2,977	2,921	2,869
Higher Education	2,955	3,009	3,097	3,158	3,195
Social Services	2,949	2,934	3,013	3,046	3,078
Mental Hygiene	2,646	2,538	3,132	3,494	3,738
All Other[1]	5,280	5,203	5,767	5,959	6,185
State Operations	18,583	18,650	18,936	18,933	19,082
Personal Service	12,981	12,896	12,887	13,005	13,106
Non-Personal Service	5,602	5,754	6,049	5,928	5,976
General State Charges	7,452	7,709	8,132	8,411	8,805
Pension Contribution	2,225	2,496	2,565	2,548	2,562
Health Insurance (Active Employees)	2,183	2,343	2,484	2,651	2,831
Health Insurance (Retired Employees)	1,282	1,376	1,459	1,557	1,663
All Other	1,762	1,493	1,623	1,654	1,750
Debt Service	5,598	5,078	6,257	6,771	7,232
Capital Projects	2	3	2	0	0
Total Disbursements	**94,288**	**96,214**	**101,169**	**104,811**	**108,635**
Net Other Financing Sources/(Uses)	432	(1,006)	(309)	(328)	(132)
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**3,031**	**4,710**	**6,532**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,751)	2,781	1,011	762	157
General Fund	(1,634)	2,445	1,352	1,200	731
Special Revenue Funds	(1,075)	426	(232)	(346)	(415)
Debt Service Funds	(42)	(90)	(109)	(92)	(159)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**(207)**	**(1,472)**	**(1,022)**

[1] All Other includes other education, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending on School aid.

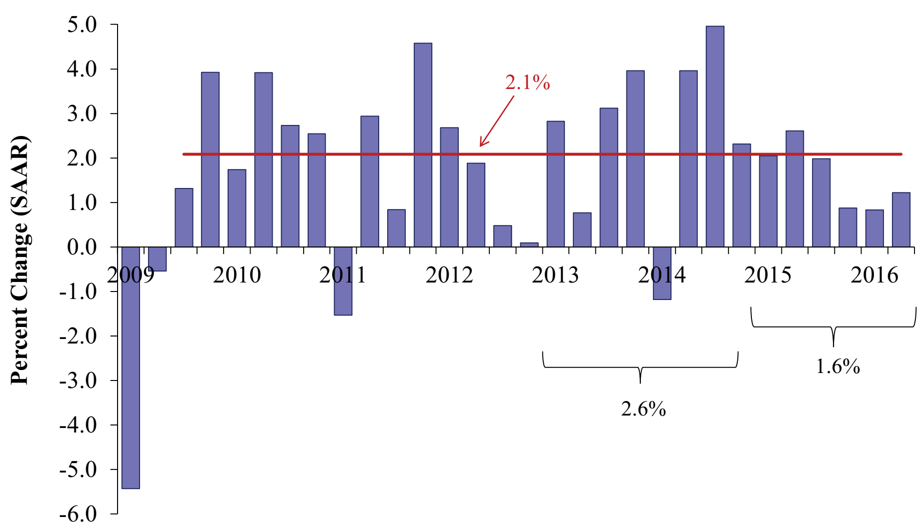
[2] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 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 budget gaps would be higher.

Economic Backdrop

The U.S. Economy

The U.S. economy continues to struggle to exceed 2 percent growth. Based on the most recent U.S. Bureau of Economic Analysis (BEA) data, the economy grew by a disappointing 1.2 percent in the second quarter of calendar year 2016, following weak first quarter growth of 0.8 percent. Growth for both quarters combined was substantially below the Enacted Budget Financial Plan forecast. Household spending made a strong comeback in the second quarter, but both residential and nonresidential investment registered large declines, casting a pall over the remainder of calendar year 2016. Prospects for the second half are further clouded by a decelerating labor market, weak global trade, the U.K.'s pending exit from the European Union, and yet another dip in oil prices. DOB is now projecting economic growth of 1.6 percent for calendar year 2016, 0.2 percentage point below the Enacted Budget Financial Plan forecast.

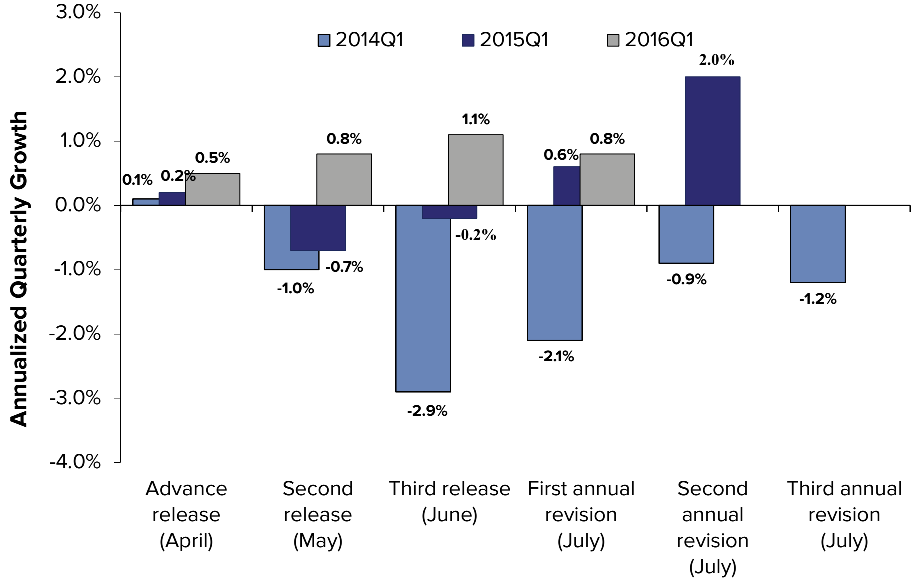
Figure 1: Real US GDP Growth Remains Stuck in Low Gear



Source: Moody's Analytics.

In a July 29th data release, BEA reported its annual revision to the National Income and Product Account data. In addition to reporting the first estimate of the second quarter of calendar year 2016, the July 29th report revisited the first quarter of 2016 and the prior three years of Gross Domestic Product (GDP) data. These estimates are updated based on more complete source data, such as IRS tax return data and Census Bureau annual survey data. In addition, with this year's revisions, BEA begins to implement its ongoing research to improve the seasonal adjustment process. The impact of the July 29th revisions appears in the following Figure. Based on this most recent and sixth estimate of the first quarter of calendar year 2014, the national economy contracted 1.2 percent during that quarter, indicating even more weakness than the prior estimate of a 0.9 percent decline. In contrast, the first quarter of 2015 was revised up from 0.6 percent growth to 2.0 percent growth and results in a much smoother pattern over the course of the year (see Figure 1). Finally, we note that average quarterly growth is now higher for 2013 and 2014, but lower for the period from the first quarter of 2015 through the first quarter of 2016. On balance, average quarterly growth over the life of the expansion remains unchanged at 2.1 percent, reinforcing that the current expansion has been the weakest of the postwar era.

Figure 2: The Evolution of BEA's Q1 Estimates



Source: U.S. Bureau of Economic Analysis.

The national labor market has decelerated markedly since the second half of 2015. Monthly private sector job gains averaged a still solid 167,000 over the first seven months of 2016, but down from 221,000 in 2015. Moreover, over 60 percent of the job growth in the first half of 2016 has been concentrated in three relatively low-wage/low productivity sectors: healthcare and social assistance; leisure and hospitality; and wholesale and retail trade. Slower job growth, combined with the composition of jobs created, is consistent with the weak output growth observed in the first half of 2016. Total nonagricultural employment is expected to grow a downwardly revised 1.7 percent for 2016, a deceleration from 2.1 percent growth in 2015. Although the implied projected pace of growth is consistent with further declines in the unemployment rate, it is also consistent with continued low rates of real GDP growth.

Consumer spending has shown remarkable improvement over the life of the current expansion and is likely to remain one of the economy's bright spots. After growing a weak 1.6 percent in the first quarter of 2016, real household spending rose an impressive 4.2 percent during the second quarter, a stronger rebound than expected. However, it is unlikely that second quarter growth is indicative of the trend going forward. Indeed, the outlook for the second half of 2016 is virtually unchanged from the Enacted Budget Financial Plan forecast, with growth expected to moderate going forward along with job growth and only small wage gains. The most recent light vehicle sales data continue to signal that unit sales likely peaked in the fall of 2015, averaging 17.4 million on an annualized basis over the first seven months of 2016 compared with an average of 17.9

million over the final six months of 2015. Real growth in household consumption of 2.7 percent is projected for 2016, representing a modest upward revision from the Enacted Budget Financial Plan forecast, but still down from 3.2 percent real growth in 2015.

Despite activist monetary policy actions around the globe, prospects for improving global growth remain dim. It appears likely that the U.K. economy will slow substantially and possibly fall into recession following the June 23rd, 2016 U.K. vote to leave the EU. Moreover, growth in the rest of Europe and China does not appear to be showing significant improvement. Thus, with U.S. growth outshining the rest of the developed world, the dollar is more likely to strengthen than weaken going forward. Consequently, real growth in U.S. exports has been revised down to 0.5 percent for 2016.

U.S. ECONOMIC INDICATORS
(Percent change from prior calendar year)

	2015 (Actual)	2016 (Forecast)	2017 (Forecast)
Real U.S. Gross Domestic Product	2.6	1.6	2.3
Consumer Price Index (CPI)	0.1	1.3	2.3
Personal Income	4.5	4.2	4.5
Nonagricultural Employment	2.1	1.7	1.4

Source: Moody's Analytics; DOB staff estimates.

Oil prices briefly rose above $50 per barrel in early June 2016, an almost doubling of its February 11, 2016 low of $26. That increase was sufficient to induce modest increases in both foreign and domestic energy production, resulting in a small increase in the nation's oil rig count in June 2016, the first in 10 months. However, fear that global growth may be too slow to absorb this increased supply has resulted in yet another dip in oil prices, which remain below $50. These most recent developments likely shut the door on any significant increase in investment related to energy mining and exploration. Equipment investment outside of the energy sector has also been exceedingly weak. DOB now estimates that non-residential fixed investment will contract 0.1 percent in 2016, representing a downward revision from the Enacted Budget Financial Plan forecast.

Outside of energy costs, consumer prices related to shelter, medical care, and education have been on the rise. DOB now estimates consumer price inflation of 1.3 percent for 2016, marginally above the Enacted Budget Financial Plan forecast. But with a more subdued outlook for both domestic and global growth, inflation expectations are still expected to remain below the Federal Reserve Board's target rate over the medium-term. With persistently weak business investment spending, significant risks from the global economy, only modest improvement in wage growth, and the 10-year Treasury yield remaining stubbornly below 2 percent, the Federal Reserve is now likely to implement only one federal funds rate hike during 2016, and DOB expects this is likely to occur in December 2016.

Although DOB calls for a subdued pace of growth going forward, there are still significant risks to this forecast. If the U.K. should fall into recession and global growth is even more sluggish than expected, slower export and corporate profits growth than reflected in this forecast could result and even weaker equity market growth could follow. If the labor market should slow more significantly and domestic demand decelerate further than anticipated, the current expansion's growth engine – the U.S. consumer – could run out of steam, compounding the drag from abroad. The U.S. presidential election continues to add yet one more layer of uncertainty. In contrast, if the actions of central banks around the globe to stimulate their economies, which have included negative interest rates and hopes for expanded use of fiscal policy, are more effective than expected, export, profits, and equity market growth could be stronger than projected. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies will continue to pose a risk, possibly resulting in a return of the extreme volatility observed in the first quarter of this year.

The New York State Economy

New York private sector labor market growth continues to hold steady, despite a weak national and global backdrop. The most recent detailed data indicate continued robust growth in professional and business services, transportation and warehousing, construction and real estate services, education, and health care. As a result, DOB's estimate for private sector job growth for 2016 remains virtually unchanged at 1.6 percent. Total employment growth for 2016 also remains unchanged from the Enacted Budget Financial Plan forecast of 1.4 percent.

Continued strong job growth leaves non-bonus wage growth unchanged at 5.0 percent for FY 2016, the strongest since the start of the State's most recent recession. Equity market prices finally surpassed their May 2015 peak during July 2016, but weakness in corporate earnings appears to have persisted through the second calendar-year quarter of 2016, which along with a subdued outlook for national and global economic growth, suggests very little further momentum for the remainder of 2016. As a result, DOB's forecast continues to call for weak finance and insurance sector bonus growth of 3.7 percent for FY 2017, following a decline of 6.3 percent for FY 2016. Overall wage growth for FY 2017 remains at 4.3 percent. However, the expectation that equity markets will fail to generate any significant momentum going forward has resulted in a downward revision to taxable capital gains realizations for the 2016 tax year to a decline of 3.1 percent.

NEW YORK STATE ECONOMIC INDICATORS
(Percent change from prior State fiscal year)

	FY 2015 (Actual)	FY 2016 (Estimated)	FY 2017 (Forecast)
Personal Income	3.5	4.3	4.7
Wages	4.4	4.6	4.3
Nonagricultural Employment	1.9	1.8	1.3

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

The performance of the State's private-sector labor market remains robust, but there are significant risks to the forecast. 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. If equity market growth proves to be weaker than anticipated, bonus payouts for the 2016-17 bonus season could be much lower than anticipated. Moreover, under the 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. As a result, the uncertainty surrounding bonus projections remains substantial. Recent events also demonstrate how sensitive financial markets can be to shifting expectations surrounding energy prices, Federal Reserve policy, and global growth. The lead up to the central bank's December 2015 increase in its short-term interest rate target, the first in almost ten years, started a wave of volatility that resulted in a drop in equity market prices of more than 10 percent in the early part of 2016. Such financial market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Should financial and real estate markets be either weaker or stronger than we expect, both bonuses and taxable capital gains realizations could be correspondingly affected.

Receipts

Updated 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 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).

Overview of the Receipts Forecast

All Funds receipts in FY 2017 are projected to total $152.4 billion, 0.6 percent below FY 2016 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	47,055	48,864	3.8%	51,155	4.7%	51,134	0.0%	53,143	3.9%
Consumption/Use Taxes	15,725	16,125	2.5%	16,858	4.5%	17,445	3.5%	17,992	3.1%
Business Taxes	7,884	7,994	1.4%	8,323	4.1%	8,448	1.5%	8,863	4.9%
Other Taxes	2,703	2,183	-19.2%	2,175	-0.4%	2,191	0.7%	2,292	4.6%
Payroll Tax	1,306	1,336	2.3%	1,395	4.4%	1,462	4.8%	1,536	5.1%
Total State Taxes	**74,673**	**76,502**	**2.4%**	**79,906**	**4.4%**	**80,680**	**1.0%**	**83,826**	**3.9%**
Miscellaneous Receipts	27,268	24,092	-11.6%	25,918	7.6%	25,346	-2.2%	24,852	-1.9%
Federal Receipts	51,324	51,764	0.9%	52,773	1.9%	53,531	1.4%	54,888	2.5%
Total All Fund Receipts	**153,265**	**152,358**	**-0.6%**	**158,597**	**4.1%**	**159,557**	**0.6%**	**163,566**	**2.5%**

State tax receipts are expected to increase 2.4 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

Consistent with the projected growth in the New York economy over the multi-year financial plan period beyond FY 2017, all tax categories are expected to exhibit growth. The "other taxes" category is expected to display a near term decline due to tax cuts enacted in 2014, but is expected to resume growth in the long term.

After controlling for the impact of tax law changes, base tax revenue increased 5.4 percent in FY 2016, and is projected to increase by 2.7 percent in FY 2017 and 5.3 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**47,055**	**48,864**	**3.8%**	**51,155**	**4.7%**	**51,134**	**0.0%**	**53,143**	**3.9%**
Gross Collections	56,600	57,940	2.4%	61,295	5.8%	62,141	1.4%	65,491	5.4%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
GENERAL FUND[1]	**31,957**	**33,420**	**4.6%**	**35,389**	**5.9%**	**35,429**	**0.1%**	**36,988**	**4.4%**
Gross Collections	56,600	57,940	2.4%	61,295	5.8%	62,141	1.4%	65,491	5.4%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
STAR	(3,335)	(3,228)	3.2%	(2,977)	7.8%	(2,921)	1.9%	(2,869)	1.8%
RBTF	(11,763)	(12,216)	-3.9%	(12,789)	-4.7%	(12,784)	0.0%	(13,286)	-3.9%

[1]Excludes Transfers.

All Funds personal income tax receipts for FY 2017 are projected to be $48.9 billion, an increase of $1.8 billion (3.8 percent) from FY 2016 results. This increase includes growth in withholding, final returns, and delinquency collections, coupled with a moderate decline in total refunds related to the decrease of the administrative refund cap in January to March 2017. Growth in these categories is partially offset by a decline in extension payments attributable to the 2015 tax year and estimated payments related to the 2016 tax year.

The following table summarizes, by component, actual receipts for FY 2016 and forecast amounts through FY 2020.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts					
Withholding	36,549	38,356	39,802	41,056	43,158
Estimated Payments	16,111	15,506	17,205	16,594	17,644
Current Year	11,561	11,445	12,559	11,502	12,552
Prior Year[1]	4,550	4,061	4,646	5,092	5,092
Final Returns	2,630	2,720	2,891	3,034	3,168
Current Year	269	280	292	292	292
Prior Year[1]	2,361	2,440	2,599	2,742	2,876
Delinquent	1,310	1,358	1,397	1,457	1,521
Gross Receipts	56,600	57,940	61,295	62,141	65,491
Refunds					
Prior Year[1]	5,130	5,037	6,366	6,608	7,556
Previous Years	618	718	689	714	744
Current Year[1]	2,551	1,750	1,750	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709
State/City Offset[1]	675	688	688	688	589
Total Refunds	9,545	9,076	10,140	11,007	12,348
Net Receipts	**47,055**	**48,864**	**51,155**	**51,134**	**53,143**

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

Withholding in FY 2017 is estimated to be $1.8 billion (4.9 percent) higher than FY 2016 results, due mainly to moderate estimated wage growth. Extension payments related to tax year 2015 are estimated to decrease by $489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 payments (taxpayers paid a higher percentage of their tax year 2015 liability through estimated payments and a lower percentage through extensions). Estimated payments for tax year 2016 are projected to be $116 million (1 percent) lower, primarily due to the combination of a decline in net capital gain income and a correction for overpayment of tax year 2015-related estimate payments. Final return payments and delinquencies are projected to be $90 million (3.4 percent) higher and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $469 million (4.9 percent) includes a $93 million decline (1.8 percent) in prior (tax year 2015) refunds, a $100 million (16.2 percent) increase in previous (tax year 2014 and earlier) refunds, an $801 million (31.4 percent) decline in current (tax year 2016) refunds (due to a decrease in the January to March 2017 administrative refund cap), a $312 million (54.6 percent) increase in advanced credit payments related to tax year 2016, and a $13 million (1.9 percent) increase in the state-city offset. The advanced credit payment forecast includes $98 million in payments attributable to the conversion of the STAR homeowners' benefit to a PIT credit.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2017 of $33.4 billion are estimated to increase by $1.5 billion (4.6 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.2 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $51.2 billion are projected to increase by $2.3 billion (4.7 percent) from FY 2017 estimates. Gross receipts are projected to increase 5.8 percent, reflecting withholding that is projected to grow by $1.4 billion (3.8 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.1 billion (9.7 percent). The relatively weak growth in withholding is attributable to the combination of the newly-enacted middle income tax cuts and the scheduled decline of the current top marginal tax rate from 8.82 percent to 6.85 percent, both effective for tax year 2018. Payments from extensions for tax year 2016 are projected to increase by $585 million (14.4 percent) and final returns are expected to increase $171 million (6.3 percent). Delinquencies are projected to increase $39 million (2.9 percent) from the prior year. Total refunds are projected to increase by $1.1 billion (11.7 percent) from the prior year. The aforementioned figures include a $236 million reduction in withholding attributable to the PIT rate reductions, and a $281 million increase in total refunds attributable to the STAR program changes included with the FY 2017 Enacted Budget legislation.

General Fund PIT receipts for FY 2018 of $35.4 billion are projected to increase by $2 billion (5.9 percent). RBTF deposits are projected to be $12.8 billion, and the STAR transfer is projected to be $3 billion.

All Funds PIT receipts in FY 2019 are projected to decrease by $21 million to $51.1 billion, while General Fund PIT receipts are projected to total $35.4 billion. Projected near-flat growth in FY 2019 receipts is due to the aforementioned expiration of the current top income tax rate at the end of tax year 2017, combined with continued phase-in of the just enacted middle income tax cuts. Legislation included in the FY 2017 Enacted Budget is projected to result in the reduction to FY 2019 collections by $1.7 billion.

All Funds income tax receipts are projected to increase by $2 billion (3.9 percent) in FY 2020 to reach $53.1 billion, while General Fund receipts are projected to total $37 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,125**	**2.5%**	**16,858**	**4.5%**	**17,445**	**3.5%**	**17,992**	**3.1%**
Sales Tax	13,359	13,866	3.8%	14,567	5.1%	15,186	4.2%	15,772	3.9%
Cigarette and Tobacco Taxes	1,251	1,226	-2.0%	1,192	-2.8%	1,151	-3.4%	1,105	-4.0%
Motor Fuel Tax	503	494	-1.8%	491	-0.6%	486	-1.0%	483	-0.6%
Highway Use Tax	158	84	-46.8%	138	64.3%	140	1.4%	141	0.7%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%
Medical Marihuana Excise Tax	0	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge	73	65	-11.0%	65	0.0%	65	0.0%	65	0.0%
Auto Rental Tax	126	128	1.6%	138	7.8%	145	5.1%	149	2.8%
GENERAL FUND[1]	**6,819**	**7,085**	**3.9%**	**7,421**	**4.7%**	**7,709**	**3.9%**	**7,979**	**3.5%**
Sales Tax	6,242	6,479	3.8%	6,813	5.2%	7,106	4.3%	7,382	3.9%
Cigarette and Tobacco Taxes	322	348	8.1%	345	-0.9%	335	-2.9%	324	-3.3%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%

[1] Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.1 billion, an increase of $400 million (2.5 percent) from FY 2016 results. Sales tax receipts are estimated to increase $507 million (3.8 percent) from the prior year, resulting from 3.8 percent base (i.e., absent law changes) growth. This base growth stems from estimated moderate disposable income, employment, and consumption growth. The estimate has been reduced to account for agreements between certain mobile telecommunications providers and the State to allow such providers to remit less sales tax for a period 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. The estimate has also been reduced by $5 million to reflect legislation enacted post-Budget that exempts feminine hygiene products from the sales and use tax. Cigarette and tobacco tax collections are estimated to decline $25 million (2 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are expected to decrease by $74 million (46.8 percent) due to refunds resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision as well as a reduction in continuing registration fees resulting from the same litigation. Motor fuel tax collections are expected to decrease $9 million (1.8 percent), reflecting an expected increase in refunds combined with a slight decline in taxable motor fuel consumption, partially offset by slight growth in diesel consumption. Taxicab surcharge receipts are estimated to decline by $8 million (11 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and the local assistance payments to New York City, or its assignee, are transferred back to the General Fund.

General Fund consumption/use tax receipts for FY 2017 are estimated to total nearly $7.1 billion, an increase of $266 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted previously.

All Funds consumption/use tax receipts for FY 2018 are projected to be $16.9 billion, an increase of $733 million (4.5 percent) from the current year. The projected $701 million (5.1 percent) increase in sales tax receipts reflects sales tax base growth of 4.2 percent, due to projected disposable income, employment, and consumption growth. The aforementioned legislation exempting feminine hygiene products is expected to reduce receipts by $7 million.

General Fund consumption/use tax receipts are projected to total $7.4 billion in FY 2018, a $336 million (4.7 percent) increase from the current year. The projected increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts are projected to increase to $17.4 billion (3.5 percent growth) in FY 2019 and to $18 billion (3.1 percent growth) in FY 2020, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund consumption/use tax receipts are projected to total $7.7 billion (3.9 percent growth) in FY 2019 and nearly $8 billion (3.5 percent growth) in FY 2020, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**7,884**	**7,994**	**1.4%**	**8,323**	**4.1%**	**8,448**	**1.5%**	**8,863**	**4.9%**
Corporate Franchise Tax	4,527	4,483	-1.0%	4,780	6.6%	4,822	0.9%	5,222	8.3%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	754	1.3%
Insurance Tax	1,580	1,477	-6.5%	1,572	6.4%	1,701	8.2%	1,784	4.9%
Bank Tax	(121)	203	N/A	190	-6.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,124	1,093	-2.8%	1,049	-4.0%	1,038	-1.0%	1,032	-0.6%
GENERAL FUND	**5,647**	**5,750**	**1.8%**	**6,078**	**5.7%**	**6,155**	**1.3%**	**6,538**	**6.2%**
Corporate Franchise Tax	3,763	3,688	-2.0%	3,950	7.1%	3,949	0.0%	4,312	9.2%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%
Insurance Tax	1,419	1,321	-6.9%	1,407	6.5%	1,521	8.1%	1,597	5.0%
Bank Tax	(129)	173	234.1%	162	-6.4%	122	-24.7%	60	-50.8%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2017 are estimated at $8 billion, an increase of $110 million (1.4 percent) from FY 2016 results. The estimate primarily reflects an increase in the bank tax of $324 million, partially offset by a combined decrease of $214 million among all other business taxes.

Corporation franchise tax receipts are estimated to decrease $44 million (1 percent) in FY 2017, reflecting additional elements of corporate tax reform (a reduction in the business income tax rate from 7.1 percent to 6.5 percent and the first year of the capital tax base phase-out). Offsetting the majority of this reduction is an increase in expected audit receipts of $454 million.

Corporation and utilities tax receipts are expected to decrease $36 million (4.7 percent) in FY 2017. Gross receipts are expected to increase from FY 2016 results, while audits are expected to decline. In FY 2016 several telecommunication audit cases were closed. This is not expected to recur in FY 2017.

Insurance tax receipts for FY 2017 are expected to decrease $103 million (6.5 percent) from FY 2016 results. Projected growth in insurance tax premiums and a positive prior period adjustment resulting from the resolution of an IRS case is more than offset by the first full year impact of the tax credit for assessments paid to the Life Insurance Guaranty Corporation (LIGC). It is expected that taxpayers will lower their 2016 estimated payments to reflect this non-refundable tax credit. The LIGC exists to protect policyholders from the insolvency of their insurers. Audits and refunds are expected to reflect historical trends.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to increase by $324 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments. Audit receipts are estimated to increase by $17 million from FY 2016 results.

Petroleum Business Tax (PBT) receipts are estimated to decrease $31 million (2.8 percent) in FY 2017, primarily due to the 5 percent decrease in the PBT rate index effective January 2016, and the estimated 5 percent decrease effective January 2017 and an estimated minor decline in taxable motor fuel consumption. These declines are partially offset by estimated slight growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are estimated to increase $103 million (1.8 percent) from FY 2016 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 of $8.3 billion are projected to increase by $329 million (4.1 percent) from the current year. The increase in corporation franchise tax receipts of $297 million (6.6 percent) reflects projected growth in corporate profits following nearly full implementation of corporate tax reform changes. The corporation and utilities tax receipts decline of $6 million (0.8 percent) reflects lower telecommunications receipts partially offset by a modest increase in utility tax revenue.

Insurance tax receipts are projected to increase $95 million (6.4 percent) in FY 2018. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to year-over-year growth. Bank tax receipts are projected to decrease by $13 million (6.4 percent) in FY 2018, due to lower projected audit receipts. PBT receipts are projected to decline $44 million (4 percent) in FY 2018, primarily due to the projected 5 percent decrease in the PBT rate index effective January 2017 noted above and projected modest declines in taxable motor fuel consumption, partially offset by projected growth in diesel fuel consumption.

General Fund business tax receipts for FY 2018 of $6.1 billion are projected to increase $328 million (5.7 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 and FY 2020 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to increase to over $8.4 billion (1.5 percent growth) in FY 2019, and increase to $8.9 billion (4.9 percent growth) in FY 2020. General Fund business tax receipts are expected to increase to $6.2 billion (1.3 percent growth) in FY 2019 and $6.5 billion (6.2 percent growth) in FY 2020.

Other Taxes

OTHER TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,183**	**-19.2%**	**2,175**	**-0.4%**	**2,191**	**0.7%**	**2,292**	**4.6%**
Estate Tax	1,521	1,024	-32.7%	950	-7.2%	912	-4.0%	963	5.6%
Real Estate Transfer Tax	1,163	1,138	-2.1%	1,204	5.8%	1,258	4.5%	1,308	4.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,045**	**-32.1%**	**971**	**-7.1%**	**933**	**-3.9%**	**984**	**5.5%**
Estate Tax	1,521	1,024	-32.7%	950	-7.2%	912	-4.0%	963	5.6%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be slightly below $2.2 billion, a $520 million (19.2 percent) decrease from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $497 million (32.7 percent) from the continued phase-in of the increased filing threshold, and an expected decline in the number of super large payments (i.e., payments over $25 million) to historical levels. Additionally, real estate transfer tax receipts are projected to decrease $25 million (2.1 percent) due to the combination of a small estimated decrease in the volume of transactions in New York City and a large estimated decrease in housing starts statewide, partially offset by year-over-year price growth. The transaction decline is partially due to a building permit shift from FY 2017 into FY 2016 caused by the uncertainty that surrounded the extension of New York City property tax abatement legislation.

General Fund other tax receipts are expected to be slightly above $1 billion in FY 2017, a $495 million (32.1 percent) decrease from FY 2016 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 are projected to be just under $2.2 billion, an $8 million (0.4 percent) decrease. Estate tax receipts are projected to decrease by $74 million (7.2 percent) reflecting the continued 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 $66 million (5.8 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $74 million (7.1 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 and FY 2020 reflect projected trends in household net worth, housing starts, housing prices and changes in the estate tax filing threshold. The incremental impact of the filing threshold change ends after FY 2019. All Funds other tax receipts are projected to increase by $16 million (0.7 percent) in FY 2019, and by $101 million (4.6 percent) in FY 2020. General Fund other tax receipt estimates for FY 2019 are projected to decrease by 3.9 percent and increase by 5.5 percent in FY 2020, respectively, due to the final change in the estate tax filing threshold affecting FY 2019.

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, monetary settlements and a variety of fees and licenses.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**27,268**	**24,092**	**-11.6%**	**25,918**	**7.6%**	**25,346**	**-2.2%**	**24,852**	**-1.9%**
General Fund	5,842	2,826	-51.6%	2,486	-12.0%	2,455	-1.2%	2,335	-4.9%
Special Revenue Funds	17,117	16,092	-6.0%	15,840	-1.6%	16,063	1.4%	15,900	-1.0%
Capital Projects Funds	3,822	4,719	23.5%	7,127	51.0%	6,367	-10.7%	6,158	-3.3%
Debt Service Funds	487	455	-6.6%	465	2.2%	461	-0.9%	459	-0.4%

All Funds miscellaneous receipts are projected to total $24.1 billion in FY 2017, a decrease of 11.6 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS Update. In addition to the impact of monetary settlements, declining FY 2017 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 increase in FY 2018, largely reflecting the expected timing of bond proceed reimbursement for capital expenditures, and remain relatively flat in FY 2019 and FY 2020.

FEDERAL GRANTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**51,324**	**51,764**	**0.9%**	**52,773**	**1.9%**	**53,531**	**1.4%**	**54,888**	**2.5%**
General Fund	0	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Special Revenue Funds	49,105	49,528	0.9%	50,606	2.2%	51,366	1.5%	52,667	2.5%
Capital Projects Funds	2,146	2,162	0.7%	2,093	-3.2%	2,091	-0.1%	2,147	2.7%
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 expected to grow to $54.9 billion by FY 2020, 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.

Disbursements

Total disbursements in FY 2017 are estimated at $71.1 billion in the State's General Fund (including transfers) and $96.2 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 $64.8 billion in FY 2017, 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)

			Forecast		
	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
MEDICAID					
Individuals Covered	6,168,006	6,320,438	6,408,439	6,451,522	6,474,592
- Essential Plan	468,370	472,815	476,091	479,390	482,711
- Child Health Plus (Caseload)	275,854	281,516	283,205	284,904	286,614
State Takeover of County/NYC Costs	$2,031	$2,360	$2,680	$2,989	$3,287
EDUCATION					
SY School Aid (Funding)	$23,290	$24,797	$25,906	$27,219	$28,599
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	573,555	573,555	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	301,554	301,869	N/A	N/A	N/A
PUBLIC ASSISTANCE CASELOAD					
Family Assistance Program	243,642	238,388	235,591	232,955	230,355
Safety Net Families Program	117,682	115,259	113,865	112,561	111,278
Safety Net Singles Program	203,114	203,512	203,920	206,266	208,355
Total Mental Hygiene Community Beds	98,323	101,541	104,790	108,056	109,117
- OMH Community Beds	42,151	44,323	46,716	49,166	49,366
- OPWDD Community Beds	42,314	43,144	43,934	44,709	45,520
- OASAS Community Beds	13,858	14,074	14,140	14,181	14,231
PRISON POPULATION (CORRECTIONS)	52,800	52,000	N/A	N/A	N/A

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 $1.51 billion (6.5 percent) in SY 2017. This increase includes $627 million for additional Foundation Aid and $434 million for full restoration of the Gap Elimination Adjustment (GEA) for all 674 school districts. In total, $175 million is provided to facilitate the transformation of schools in high-need districts into community hubs offering expanded services to children and their families, including $100 million as a set-aside within Foundation Aid and $75 million in new Community Schools Grants. The latter will be awarded to school districts with failing and persistently failing schools, based on a plan developed by SED, to support the operating and capital costs associated with the conversion of such schools into community schools. In addition, another $344 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 Updated Financial Plan also includes $28 million for new competitive grants, including $22 million to expand prekindergarten access for three-year-old children. In addition, the Updated Financial Plan reflects the continuation of $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

School Aid is projected to increase by an additional $1.11 billion (4.5 percent) in SY 2018, consistent with the Personal Income Growth Index in statute. Actual School Aid increases approved by the Legislature have exceeded the index in the current and each of the last three school years.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2016	SY 2017	Change	SY 2018	Change	SY 2019	Change	SY 2020	Change
Total	**23,290**	**24,797**	**1,507**	**25,906**	**1,109**	**27,219**	**1,313**	**28,599**	**1,380**
			6.5%		4.5%		5.1%		5.1%

School 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 and Lottery Fund receipts, including video lottery terminals (VLTs), which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which 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 multi-year projected sources of spending on a State fiscal year basis.

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

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**23,302**	**24,422**	**4.8%**	**25,898**	**6.0%**	**27,196**	**5.0%**	**28,555**	**5.0%**
General Fund Local Assistance	20,133	21,101	4.8%	22,579	7.0%	23,896	5.8%	25,211	5.5%
Core Lottery Aid	2,219	2,360	6.4%	2,343	-0.7%	2,262	-3.5%	2,254	-0.4%
VLT Lottery Aid	950	961	1.2%	886	-7.8%	867	-2.1%	893	3.0%
Commercial Gaming - VLT Offset	0	0	0.0%	71	0.0%	89	25.4%	63	-29.2%
Commercial Gaming	0	0	0.0%	19	0.0%	82	331.6%	134	63.4%

State fiscal year spending for School Aid is projected to total $24.4 billion in FY 2017. In future years, receipts available to finance this category of aid from core lottery sales are projected to decline. In addition to State aid, school districts receive more than $3 billion annually in Federal aid.

It is expected that State aid payments for School Aid will be supplemented by commercial gaming revenues, beginning in FY 2017 with the State's receipt of one-time licensing fees, and continuing in FY 2018 and the outyears with gaming revenues shared with the State by commercial gaming facilities. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Location Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Location Board in October 2015. 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 becomes a General Fund obligation. It is expected that the four casinos will be operational in FY 2018.

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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,085**	**2,328**	**11.7%**	**2,390**	**2.7%**	**2,520**	**5.4%**	**2,626**	**4.2%**
Special Education	1,317	1,437	9.1%	1,540	7.2%	1,657	7.6%	1,784	7.7%
All Other Education	768	891	16.0%	850	-4.6%	863	1.5%	842	-2.4%

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 for the major cultural institutions of the State Archives, the State Library, and the 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.

Special Education spending growth in FY 2017 is primarily the result of lower-than-expected preschool special education claims submitted during FY 2016, as well as rate increases given to private special education providers. The increase in All Other Education spending in FY 2017 is driven primarily by supplemental State payments to charter schools, investments in new programs such as the My Brother's Keeper initiative, increased funding for existing programs including nonpublic schools and higher education opportunity programs, and one-time costs associated with targeted aid and grants.

In FY 2018, the decrease in projected spending for all other education is primarily attributable to the expiration of a two-year appropriation provided to nonpublic schools to reimburse them for State-mandated services provided in prior years. However, this decrease is offset by projected increases in State reimbursement for special education programs, which are expected to continue to drive outyear growth.

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. It is expected that lower-income senior citizens will receive a $65,300 exemption in FY 2017. 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 share of total spending in FY 2017 are: the basic school property tax exemption for homeowners with income under $500,000 (54 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $84,550 (29 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (17 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The STAR program will gradually shift from a spending program into a refundable pre-paid PIT credit, with this change applying to first-time homebuyers and to homeowners who move. Further reductions in STAR spending will be achieved by the conversion of the New York City PIT STAR credit into a New York State PIT credit. These changes have no impact on the STAR benefits received by homeowners.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,335**	**3,228**	**-3.2%**	**2,977**	**-7.8%**	**2,921**	**-1.9%**	**2,869**	**-1.8%**
Basic Exemption	1,774	1,756	-1.0%	1,708	-2.7%	1,667	-2.4%	1,624	-2.6%
Enhanced (Seniors)	943	943	0.0%	916	-2.9%	895	-2.3%	872	-2.6%
New York City PIT	618	529	-14.4%	353	-33.3%	359	1.7%	373	3.9%

The following table illustrates total savings that result from the STAR tax credit conversions, after accounting for the impact of the estimated State PIT receipts.

STAR CONVERSION CREDIT
SAVINGS/(COSTS)
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
CONVERSION OF NEW YORK CITY PIT STAR CREDIT TO A STATE PIT CREDIT:				
PIT Receipts	0	(87)	(284)	(286)
STAR Spending	87	284	286	286
STAR BENEFIT INTO A TAX CREDIT FOR NEW HOMEOWNERS:				
PIT Receipts	(98)	(194)	(290)	(385)
STAR Spending	98	194	290	385
NET FINANCIAL PLAN IMPACT	**87**	**197**	**2**	**0**

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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,955**	**3,009**	**1.8%**	**3,097**	**2.9%**	**3,158**	**2.0%**	**3,195**	**1.2%**
City University	**1,429**	**1,454**	**1.7%**	**1,486**	**2.2%**	**1,527**	**2.8%**	**1,553**	**1.7%**
Senior Colleges	1,198	1,206	0.7%	1,243	3.1%	1,285	3.4%	1,311	2.0%
Community College	231	248	7.4%	243	-2.0%	242	-0.4%	242	0.0%
Higher Education Services	**1,025**	**1,046**	**2.0%**	**1,103**	**5.4%**	**1,123**	**1.8%**	**1,135**	**1.1%**
Tuition Assistance Program	966	956	-1.0%	991	3.7%	994	0.3%	994	0.0%
Scholarships/Awards	47	78	66.0%	100	28.2%	117	17.0%	129	10.3%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**501**	**509**	**1.6%**	**508**	**-0.2%**	**508**	**0.0%**	**507**	**-0.2%**
Community College	496	504	1.6%	503	-0.2%	503	0.0%	502	-0.2%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 396,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 333,000 students. State funds are used to support a significant portion of SUNY and CUNY operations, including employee fringe benefit costs. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.2 billion in FY 2017 (not reflected in annual spending totals for the universities).

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 governments.

In total, State Operating Funds local assistance spending is projected to increase by 1.8 percent from FY 2016 to FY 2017. This increase is distributed across SUNY, CUNY, and HESC programs and operations. Additional outyear growth is projected to be driven by spending in student financial assistance programs, largely the result of increasing enrollment in recent scholarship initiatives such as Science, Technology, Engineering and Math (STEM) and the Get On Your Feet Loan Forgiveness Program. CUNY Senior College spending is also projected to grow in the outyears due to employee benefits costs.

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including 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, specifically 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 more than $7 billion through FY 2020, with the remaining funds expected to be disbursed beyond FY 2020. 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, the 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 Updated Financial Plan reflects the continuation of the Medicaid spending cap through FY 2018, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.4 percent for FY 2017. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2018, 3.0 percent in FY 2019, and 2.8 percent in FY 2020.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Global Medicaid Cap[1]	**17,104**	**17,692**	**18,259**	**18,812**	**19,338**
Annual % Change		3.4%	3.2%	3.0%	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 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 Updated 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 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Department of Health Medicaid	17,707	18,142	18,965	19,856	20,712
Local Assistance	17,434	17,800	18,589	19,473	20,326
State Operations	273	342	376	383	386
Other State Agency Medicaid Spending	4,883	4,504	4,952	5,199	5,394
Mental Hygiene	4,739	4,364	4,810	5,057	5,250
Foster Care	89	90	92	92	94
Education	55	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,590**	**22,646**	**23,917**	**25,055**	**26,106**
Annual $ Change		56	1,271	1,138	1,051
Annual % Change		0.2%	5.6%	4.8%	4.2%
Essential Plan[2]	**32**	**382**	**385**	**395**	**406**

[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; and increased Federal Financial Participation that became effective in January 2014.

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

The State share of DOH Medicaid spending is financed by a combination of the General Fund, HCRA resources, indigent care support, and provider assessment revenue. 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[1,2]
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS	**17,739**	**18,524**	**4.4%**	**19,350**	**4.5%**	**20,251**	**4.7%**	**21,118**	**4.3%**
General Fund - DOH Medicaid Local	12,117	12,297	1.5%	13,172	7.1%	14,066	6.8%	15,038	6.9%
DOH Medicaid	11,250	11,172	-0.7%	12,324	10.3%	13,262	7.6%	14,236	7.3%
Mental Hygiene - Global Cap Adjustment[3]	867	1,125	29.8%	848	-24.6%	804	-5.2%	802	-0.2%
General Fund - DOH Medicaid State Ops[4]	273	342	25.3%	376	9.9%	383	1.9%	386	0.8%
General Fund - Essential Plan	32	382	1093.8%	385	0.8%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	48	269.2%	40	-16.7%	40	0.0%	41	2.5%
Other State Funds - DOH Medicaid Local	5,317	5,503	3.5%	5,417	-1.6%	5,407	-0.2%	5,288	-2.2%
HCRA Financing	3,523	3,739	6.1%	3,713	-0.7%	3,703	-0.3%	3,584	-3.2%
Indigent Care Support	961	952	-0.9%	892	-6.3%	892	0.0%	892	0.0%
Provider Assessment Revenue	833	812	-2.5%	812	0.0%	812	0.0%	812	0.0%

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

[2] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.

[3] The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.

[4] Includes operating costs of the New York State of Health Exchange which are funded by DOH within the Medicaid Global Cap.

The Updated Financial Plan includes additional funding to support the increased cost of Medicaid associated with the regionally-based multi-year phase-in of statewide minimum wage increases. This initiative is expected to increase annual Medicaid spending, above previously forecasted Global Cap limits, by $13 million in FY 2017; $88 million in FY 2018; $253 million in FY 2019; and $411 million in FY 2020.

The Updated Financial Plan also reflects a continuation of the MRT initiative, which focuses on implementing various investments and efficiencies within the statewide Medicaid program in order to achieve improved health care service delivery and cost efficiency within the statutory spending limits of the Medicaid Global Cap. DOH proposes a number of initiatives to reduce spending within the Global Cap, including certain efficiencies in managed care program premiums; realigning the capital and operating components of the Supportive Housing program; and a new penalty for extreme generic drug pricing, in order to discourage such practices and limit cost increases.

The MRT savings initiatives are expected to offset a number of increased cost pressures and program investments within the Global Cap, including increases in Medicare Part D “clawback” expenses as a result of rising drug prices; Medicare Part B increases due to Federal requirements for states to hold certain beneficiaries harmless for premium increases when Cost-of-Living Adjustments (COLAs) are not included in Social Security plans; and additional funding for fiscally distressed hospitals. In total, the Enacted Budget Financial Plan included net savings of $44 million in FYs 2017 and 2018, which are expected through implementation of the various MRT initiatives, and in particular through the transfer of certain supportive housing costs to the Capital Projects Fund.

The Updated Financial Plan also reflects $33 million in reduced FY 2017 State Funds costs associated with operating the QHP portion of the NYSOH health benefit exchange, largely due to the expiration of offsetting Federal support for the exchange which has been extended from December 2015 to December 2016. Additional means to offset rising costs within the Medicaid Global Cap are available 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. The Updated 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.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients exceeded 6.1 million by the end of FY 2016, a slight decrease from FY 2015 caseload of 6.2 million. This decline is mainly attributable to the transition from Medicaid to the EP of certain legally residing immigrants.

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 85 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN (millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL ALL FUNDS SPENDING	1,539	2,466	60.2%	2,535	2.8%	2,610	3.0%	2,683	2.8%
State Operating Funds	32	382	1093.8%	385	0.8%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	48	269.2%	40	-16.7%	40	0.0%	41	2.5%
Federal Operating Funds	1,507	2,084	38.3%	2,150	3.2%	2,215	3.0%	2,277	2.8%

The Updated Financial Plan includes forecast estimates based on income level data associated with program enrollees. The State's program costs associated with the EP program, and related savings, are managed within the total available resources of the Medicaid Global Cap.

Public Health/Aging Programs

Public Health includes the CHP program that finances health insurance coverage for children of low-income families, up to the age of 19; the GPHW program that reimburses local health departments for the cost of providing certain public health services; the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors; and the Early Intervention (EI) program that pays for services to infants and toddlers under the age of three, with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments that are reimbursed by the State for a share of program costs. The 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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,774**	**1,641**	**-7.5%**	**1,683**	**2.6%**	**1,716**	**2.0%**	**1,870**	**9.0%**
Public Health	**1,647**	**1,511**	**-8.3%**	**1,550**	**2.6%**	**1,578**	**1.8%**	**1,727**	**9.4%**
Child Health Plus	378	222	-41.3%	235	5.9%	250	6.4%	380	52.0%
General Public Health Work	194	203	4.6%	204	0.5%	206	1.0%	210	1.9%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	159	-0.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	426	378	-11.3%	393	4.0%	397	1.0%	402	1.3%
All Other	363	417	14.8%	426	2.2%	438	2.9%	448	2.2%
Aging	**127**	**130**	**2.4%**	**133**	**2.3%**	**138**	**3.8%**	**143**	**3.6%**

The Updated Financial Plan includes approximately $106 million in savings, from the CHP program ($70 million) and HCRA Program account ($36 million), by leveraging enhanced Federal funding for children's health care programs serving populations that meet expanded income thresholds, thus lowering State costs. Growth in FY 2020 for the CHP program is driven mainly by the expirations of enhanced FMAP on September 30, 2019, which will shift a significant portion of support back to State funds. In the Updated Financial Plan, CHP spending estimates have been updated to reflect the enactment of legislation requiring retroactive coverage of newborns in CHP, driving increased costs of $1.1 million in FY 2017, $4.5 million in FYs 2018 and 2019 when fully annualized, and increasing to $5.4 million in FY 2020 when Federal support will expire.

Annual GPHW spending projections reflect recent claiming patterns, as well as increased funding related to protective measures in combatting the Zika Virus. The EPIC program growth reflects increasing pharmaceutical costs which impact Medicare Part D premium payment estimates.

HCRA Program spending is expected to decline in FY 2017, in part through the use of an available fund balance of $15 million in the Excess Medical Malpractice Liability Pool, and through the use of Federal funding sources as described above. From FY 2018 through FY 2020, HCRA Program spending is expected to remain relatively flat.

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. The HCRA authorization was extended through FY 2017, pursuant to legislation included in the FY 2015 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, the NYSOH, 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 closed FY 2016 with a balance of $78 million, which is the result of an advanced deposit of April 2016 revenue into March 2016. This impact is a matter of timing, and will not impact total forecasted HCRA collections through FY 2017.

HCRA FINANCIAL PLAN FY 2016 THROUGH FY 2020
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
OPENING BALANCE	**14**	**78**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,655**	**5,538**	**5,529**	**5,554**	**5,576**
Surcharges	3,118	3,091	3,131	3,191	3,251
Covered Lives Assessment	1,112	1,079	1,045	1,045	1,045
Cigarette Tax Revenue	928	878	847	816	781
Hospital Assessments	397	404	424	424	424
NYC Cigarette Tax Transfer/Other	100	86	82	78	75
TOTAL DISBURSEMENTS	**5,591**	**5,616**	**5,529**	**5,554**	**5,576**
Medicaid Assistance Account[1]	3,523	3,739	3,713	3,704	3,584
Medicaid Costs	*3,326*	*3,542*	*3,516*	*3,507*	*3,387*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	961	952	892	892	892
HCRA Program Account	429	388	403	406	411
Child Health Plus	381	226	238	254	384
Elderly Pharmaceutical Insurance Coverage	137	144	145	140	140
SHIN-NY/APCD	42	30	0	0	0
All Other	118	137	138	158	165
ANNUAL OPERATING SURPLUS/(DEFICIT)	**64**	**(78)**	**0**	**0**	**0**
CLOSING BALANCE	**78**	**0**	**0**	**0**	**0**

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

After adjusting for the timing of receipts deposits advanced to March 2016, as noted above, total HCRA receipts are forecasted to grow moderately in FY 2017 in relation to higher surcharge collections generated from an increase to Upper Payment Limit (UPL) disbursements. The level of annual growth forecasted for HCRA receipts through the multi-year planning period mainly reflects anticipation of increased collections due to expanded health insurance coverage through the ACA, and increases consistent with historic collection patterns. Continued declines for cigarette tax collections, which is attributable to declining taxable consumption, reduces annual HCRA receipts growth.

HCRA spending is expected to total $5.6 billion in FY 2017. The most significant area of spending growth includes additional financing of the State share of Medicaid costs, which is partly offset by a significant decrease in spending for CHP as the availability of Federal resources through the ACA will increase. The Updated Financial Plan reflects a nonrecurring reduction in HCRA transfers to the Excess Medical Malpractice Liability Pool, which reimburses certain physicians and dentists for a secondary level of medical malpractice insurance coverage, by offsetting the State's FY 2017 subsidy level with existing fund balance availability. The Updated Financial Plan includes several revisions to the spending forecast, including $1 million annual downward revisions in FYs 2017 and 2018 for both the Aids Drug Assistance Program (ADAP) and Doctors Across New York programs based on recent spending patterns.

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 the 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. 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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,646**	**2,538**	**-4.1%**	**3,132**	**23.4%**	**3,494**	**11.6%**	**3,738**	**7.0%**
People with Developmental Disabilities	**2,075**	**2,193**	**5.7%**	**2,362**	**7.7%**	**2,522**	**6.8%**	**2,688**	**6.6%**
Residential Services	1,386	1,465	5.7%	1,578	7.7%	1,685	6.8%	1,796	6.6%
Day Programs	604	638	5.6%	687	7.7%	734	6.8%	782	6.5%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	69	6.2%	74	7.2%	79	6.8%	84	6.3%
Mental Health	**1,135**	**1,191**	**4.9%**	**1,309**	**9.9%**	**1,446**	**10.5%**	**1,502**	**3.9%**
Adult Local Services	917	967	5.5%	1,063	9.9%	1,185	11.5%	1,224	3.3%
Children Local Services	218	224	2.8%	246	9.8%	261	6.1%	278	6.5%
Alcohol and Substance Abuse	**307**	**320**	**4.2%**	**350**	**9.4%**	**371**	**6.0%**	**391**	**5.4%**
Outpatient/Methadone	117	122	4.3%	134	9.8%	142	6.0%	149	4.9%
Residential	123	128	4.1%	140	9.4%	148	5.7%	156	5.4%
Prevention and Program Support	59	61	3.4%	67	9.8%	71	6.0%	75	5.6%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	11	10.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,518**	**3,705**	**5.3%**	**4,022**	**8.6%**	**4,340**	**7.9%**	**4,582**	**5.6%**
Other Adjustments	**(872)**	**(1,167)**	**-33.8%**	**(890)**	**23.7%**	**(846)**	**4.9%**	**(844)**	**0.2%**
Global Cap Adjustment	(867)	(1,125)	-29.8%	(848)	24.6%	(804)	5.2%	(802)	0.2%
Other DOH Offsets	(42)	(42)	0.0%	(42)	0.0%	(42)	0.0%	(42)	0.0%
53rd Medicaid Cycle	37	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 9 percent annually. The main factor driving this level of growth is enhancement of community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; maximizing payments from third-party payers; and providing cost-of-living increases and new funding to not-for-profit providers for the minimum wage increase authorized as part of the FY 2017 Enacted Budget agreement.

The FY 2017 Enacted Budget increases local assistance funding for mental hygiene agencies from $3.5 billion in FY 2016 to $3.7 billion in FY 2017. 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; new residential beds opening in OMH; funding in OASAS for the package of heroin initiatives; and funding to support a 0.2 percent Human Services COLA for not-for-profit providers that deliver services on behalf of OPWDD, OMH and OASAS.

This funding increase is offset by technical adjustments to the Medicaid Global Cap ($258 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources, and recognition of one-time costs in FY 2016 for a 53rd weekly Medicaid Cycle ($37 million). These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

The Updated Financial Plan also includes updated assumptions to reflect revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the timeframe to disburse funding from the Balancing Incentive Program (BIP). Authorized under the ACA, BIP is an optional program that provides additional Federal funding to qualifying states to encourage the shift from institutional to community services. It is expected that BIP will enable the State to engage a broad network of providers, advocates and community leaders to develop systematic improvements to delivery systems leading to enhanced community integration for individuals with intellectual and/or developmental disabilities and individuals with mental illness.

The Updated Financial Plan reflects a $33 million spending reduction in FY 2017 for the NYSOH health benefit exchange, the majority of which is attributable to a no-cost extension of Federal funding through December 2016. The impact of this extension shifts spending from State to Federal funds, providing financial plan relief of $33 million in FY 2017, as realized through the Mental Hygiene Global Cap Adjustment. This change has no impact on mental hygiene services.

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, funded by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, funded 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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,213**	**1,262**	**4.0%**	**1,312**	**4.0%**	**1,330**	**1.4%**	**1,340**	**0.8%**
SSI	641	655	2.2%	658	0.5%	661	0.5%	663	0.3%
Public Assistance Benefits	474	484	2.1%	526	8.7%	526	0.0%	526	0.0%
Public Assistance Initiatives	7	29	314.3%	27	-6.9%	36	33.3%	36	0.0%
All Other	91	94	3.3%	101	7.4%	107	5.9%	115	7.5%

OTDA spending for SSI is projected to increase between FY 2016 and FY 2017 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 2016 to FY 2017 based on an update to DOB's caseload models, with DOB projecting a total of 557,159 recipients in FY 2017. Approximately 238,388 families are expected to receive benefits through the Family Assistance program in FY 2017, a decrease of 2.2 percent from FY 2016. In the Safety Net program an average of 115,259 families are expected to be helped in FY 2017, a decrease of 2.1 percent from FY 2016. The caseload for single adults/childless couples supported through the Safety Net program is projected at 203,512 in FY 2017, an increase of 0.2 percent from FY 2016. Spending in Public Assistance and All Other Initiatives will increase from FY 2016 to FY 2017 due to the implementation of new programs including several to address homelessness, as well as the expansion of HASA benefits to all Public Assistance recipients living in New York City. 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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,736**	**1,672**	**-3.7%**	**1,701**	**1.7%**	**1,716**	**0.9%**	**1,738**	**1.3%**
Child Welfare Service	491	448	-8.8%	472	5.4%	482	2.1%	492	2.1%
Foster Care Block Grant	445	445	0.0%	455	2.2%	464	2.0%	472	1.7%
Adoption	152	154	1.3%	154	0.0%	154	0.0%	154	0.0%
Day Care	270	208	-23.0%	185	-11.1%	178	-3.8%	178	0.0%
Youth Programs	111	161	45.0%	154	-4.3%	153	-0.6%	153	0.0%
Medicaid	89	90	1.1%	92	2.2%	92	0.0%	94	2.2%
Committees on Special Education	45	39	-13.3%	41	5.1%	42	2.4%	44	4.8%
Adult Protective/Domestic Violence	35	32	-8.6%	33	3.1%	34	3.0%	34	0.0%
All Other	98	95	-3.1%	115	21.1%	117	1.7%	117	0.0%

OCFS State Operating Funds spending is projected to decline between FY 2016 and FY 2017, primarily due to the use of Federal Temporary Assistance for Needy Families (TANF) to maintain funding for child care subsidies. Spending is projected to increase after FY 2018 due to a variety of factors including a projected increase in child welfare services claims and increased costs to fund statutory Human Services COLA increases.

Transportation

In FY 2017, the State will provide approximately $4.9 billion in operating aid to mass transit systems. The aid is funded mainly from dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives 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 now provides additional annual support, subject to appropriation, to the MTA to make up the lost revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,745**	**4,931**	**3.9%**	**5,016**	**1.7%**	**5,071**	**1.1%**	**5,161**	**1.8%**
Mass Transit Operating Aid:	2,160	2,280	5.6%	2,280	0.0%	2,280	0.0%	2,280	0.0%
Metro Mass Transit Aid	2,030	2,152	6.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	86	84	-2.3%	84	0.0%	84	0.0%	84	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	1,851	1,929	4.2%	2,028	5.1%	2,087	2.9%	2,176	4.3%
Dedicated Mass Transit	666	661	-0.8%	651	-1.5%	647	-0.6%	649	0.3%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	-100.0%

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

Beginning in FY 2017, the portion of dedicated mass transit aid that supports capital-related spending will be shifted from State special revenue funds to capital financing sources.

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 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**728**	**715**	**-1.8%**	**763**	**6.7%**	**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	13	0	-100.0%	48	0.0%	48	0.0%	48	0.0%

State Operating Funds spending for AIM efficiency incentive grants will decline from FY 2016 to FY 2017 due to the timing of grants and the use of settlement money appropriated in DIIF for local government purposes.

Agency Operations

Agency operating costs consist of PS, Non-Personal Service (NPS), and General State Charges (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, 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 Department of Transportation (DOT) and the Department of Motor Vehicles (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 CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	FY 2016 Results	FY 2017 Updated	Forecast FY 2018 Projected	Forecast FY 2019 Projected	Forecast FY 2020 Projected
Negotiated Base Salary Increases[1]					
CSEA/PEF/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	TBD	TBD	TBD	TBD
NYSPBA/NYSPIA	2%	1.5%	1.5%	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[2]	117,862	118,590	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[3]	18.9%	17.1%	16.3%	15.8%	15.7%
After Amortization[4]	19.3%	20.7%	20.2%	19.6%	19.4%
PFRS Contribution Rate					
Before Amortization[3]	25.5%	27.4%	25.4%	24.9%	24.4%
After Amortization[4]	27.6%	31.0%	29.5%	28.9%	28.4%
Employee/Retiree Health Insurance Growth Rates	5.1%	6.6%	5.8%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.9%	13.6%	13.8%	13.8%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.

[2] Reflects workforce that is subject to direct Executive control.

[3] Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veteran's pension credit legislation.

[4] After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to grow modestly over the financial plan period from $18.6 billion in FY 2017 to $19.1 billion in FY 2020. Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. The FY 2017 Enacted Budget includes costs from collective bargaining agreements (1.5 percent increases in FYs 2017 and 2018 for NYSPBA/NYSPIA and a 2 percent increase in FY 2016 for PEF), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries.

Executive agency operational costs are expected to total $10.1 billion in FY 2017. In FY 2018 spending is expected to increase by $210 million mainly due to repayment to the New York Power Authority (NYPA). Beyond FY 2018, spending is projected to decrease. Agencies with growth include the Medicaid Admin/EP, attributable to the NYSOH benefit exchange and the new EP program; ITS; Corrections; State Police; Gaming; and Workers' Compensation.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,145**	**10,080**	**10,290**	**10,162**	**10,200**
Mental Hygiene	2,824	2,738	2,733	2,775	2,816
Corrections and Community Supervision	2,618	2,626	2,633	2,636	2,643
State Police	693	685	697	697	697
Information Technology Services[1]	506	533	565	577	577
Public Health	403	383	377	377	378
Tax and Finance	336	328	329	329	329
Medicaid Admin/EP	286	390	416	422	426
Children and Family Services	263	245	247	254	254
Environmental Conservation	238	229	229	230	230
Financial Services	202	211	212	212	216
Parks, Recreation and Historic Preservation	181	177	177	175	175
General Services	157	163	161	161	161
Gaming	147	153	158	158	158
Temporary and Disability Assistance	147	130	125	125	125
Workers' Compensation Board	139	137	142	143	145
Extra Bi-Weekly Institutional Pay Period	163	0	0	0	0
New York Power Authority Repayment	21	21	236	22	0
All Other	821	931	853	869	870
UNIVERSITY SYSTEMS	**5,953**	**6,006**	**6,081**	**6,180**	**6,286**
State University	5,866	5,920	5,994	6,092	6,196
City University	87	86	87	88	90
INDEPENDENT AGENCIES	**310**	**319**	**320**	**321**	**324**
Law	169	172	173	174	177
Audit & Control (OSC)	141	147	147	147	147
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,408**	**16,405**	**16,691**	**16,663**	**16,810**
Judiciary	1,959	2,026	2,026	2,051	2,053
Legislature	216	219	219	219	219
Statewide Total	**18,583**	**18,650**	**18,936**	**18,933**	**19,082**
Personal Service	12,981	12,896	12,887	13,005	13,106
Non-Personal Service	5,602	5,754	6,049	5,928	5,976

[1] Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.

The most significant changes include:

- **Medicaid Admin/EP:** Growth in Medicaid Admin/EP reflects the transitioning of certain functions from the local services districts to the State as part of the ongoing statewide Medicaid Admin takeover initiative, and the implementation of the NYSOH health benefit exchange, the State's centralized marketplace for health plan shopping and enrollment in accordance with the ACA.

- **Information Technology Services:** Increases in IT Services from FY 2017 to FY 2020 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.

- **Mental Hygiene:** Lower Mental Hygiene agency spending in FY 2017 is the result of there being 26 institutional payrolls in FY 2017 versus the 27 institutional payrolls that occurred in FY 2016.

- **NYPA Repayment:** Annual payments to NYPA are pursuant to funding schedules agreed upon by the State and NYPA, and are consistent with Enacted Budget Financial Plan assumptions.

- **State University:** Higher SUNY spending reflects anticipated operating needs at SUNY campuses and hospitals supported through campus revenues, State support and hospital revenues.

- **Judiciary:** Increases from FY 2017 to FY 2020 reflect salary increases authorized by the New York State Commission on Legislative, Judicial, and Executive Compensation.

Workforce

In FY 2017, $12.9 billion or 13.4 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 98,000 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); 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 2017 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,218**	**98,197**
Mental Hygiene Agencies	2,239	33,825
Corrections and Community Supervision	2,074	28,181
State Police	620	5,619
Tax and Finance	270	4,276
Health	255	3,743
Environmental Conservation	174	2,164
Children and Family Services	162	2,465
Financial Services	154	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	1,138	15,014
University Systems	**3,723**	**43,982**
State University	3,678	43,667
City University[2]	45	315
Independent Agencies	**1,955**	**18,185**
Law	118	1,583
Audit & Control (OSC)	114	1,603
Judiciary	1,557	14,998
Legislature[3]	166	1
Total	**12,896**	**160,364**

[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 13,330 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.[6] The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits that are paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest General Fund reimbursement comes from the mental hygiene agencies.

GSCs also include fixed costs for several categories including State payments in lieu of taxes (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 4.3 percent over the Updated Financial Plan period, driven primarily by cost increases for workers' compensation and the employer share of costs for employee and retiree health insurance benefits.

In FY 2017, State Operating Funds spending for GSCs is projected to increase by $258 million (3.5 percent). Health insurance increases are due to 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 growth reflects the impact of higher graded rates, which increases the State's gross funding liability, 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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,452**	**7,709**	**3.5%**	**8,132**	**5.5%**	**8,411**	**3.4%**	**8,805**	**4.7%**
Fringe Benefits	**7,045**	**7,301**	**3.6%**	**7,732**	**5.9%**	**8,007**	**3.6%**	**8,397**	**4.9%**
Health Insurance	3,465	3,720	7.4%	3,943	6.0%	4,209	6.7%	4,493	6.8%
Employee Health Insurance	2,183	2,343	7.4%	2,484	6.0%	2,651	6.7%	2,831	6.8%
Retiree Health Insurance	1,282	1,376	7.4%	1,459	6.0%	1,557	6.7%	1,663	6.8%
Pensions	2,225	2,496	12.2%	2,565	2.8%	2,548	-0.7%	2,562	0.5%
Social Security	981	966	-1.6%	971	0.6%	979	0.8%	984	0.5%
Worker's Compensation	476	320	-32.7%	432	34.8%	473	9.5%	583	23.2%
Employee Benefits	91	89	-2.3%	90	1.0%	91	1.0%	92	1.0%
Dental Insurance	59	65	10.1%	65	0.0%	65	0.0%	65	0.0%
Unemployment Insurance	15	17	16.5%	17	0.6%	17	0.0%	17	0.0%
All Other/Non-State Escrow	(268)	(372)	-38.8%	(352)	5.4%	(375)	-6.5%	(399)	-6.4%
Fixed Costs	**407**	**408**	**0.2%**	**399**	**-2.1%**	**404**	**1.0%**	**408**	**1.0%**

[6] 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 GSC base spending in FY 2017 has been offset by gap-closing savings of approximately $228 million. The savings are primarily driven by $140 million in lower projected workers' compensation payments, reflecting the use of available reserves which will be transferred directly to SIF; and approximately $79 million in interest savings achieved by paying the full State pension bill in April 2016, rather than on the due date of March 1, 2017.

In addition to the actions described above, fringe benefit and fixed cost spending estimates reflect a mix of increasing costs associated with updated baseline growth in health insurance rate renewals and workers' compensation liabilities, and other downward adjustments which reflect the shift of spending between the SUNY and GSC budgets, and the timing of certain payments from prior years.

The Updated Financial Plan reflects a current year increase of $144 million in pension expenses from new legislation which enables eligible members to receive up to three years of extra pension service credit for their active military service. These costs are for State employees and other employees who participate in Section 25 of the Retirement and Social Security Law, provided they were honorably discharged, have five years of creditable service, and agree to pay the employee share of such service credit prior to retirement. The State is required to fund the full present value of the benefit as members opt in. The law permits the State to amortize the first year cost over five years at an interest rate determined by the retirement system, which has been set at a rate of 7 percent, however at this time the State does not plan to amortize these costs.

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 2016 Results	FY 2017 Updated	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**11,376**	**11,527**	**11,860**	**12,039**	**12,191**
State Share of Mental Hygiene Medicaid[1]	**2,036**	**1,437**	**1,325**	**1,301**	**1,236**
Debt Service	**1,196**	**706**	**1,260**	**1,182**	**1,076**
SUNY University Operations	**998**	**996**	**1,001**	**997**	**997**
Capital Projects	**2,721**	**3,810**	**3,469**	**3,399**	**3,311**
Dedicated Highway and Bridge Trust Fund	681	602	711	692	974
Dedicated Infrastructure Investment Fund	857	901	2,151	1,701	732
Management of Debt Issuances	0	1,300	(800)	(500)	0
Environmental Protection Fund	23	146	28	28	28
All Other Capital	1,160	861	1,379	1,478	1,577
ALL OTHER TRANSFERS	**4,425**	**4,578**	**4,805**	**5,160**	**5,571**
Mental Hygiene	3,195	3,317	3,546	3,913	4,324
Department of Transportation (MTA Payroll Tax)	331	333	334	334	335
SUNY - Medicaid Reimbursement	355	282	282	282	282
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	88	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	66	66	66
Banking Services	52	52	53	53	53
Indigent Legal Services	30	35	35	35	35
Mass Transportation Operating Assistance	21	37	38	38	38
Alcoholic Beverage Control	15	0	0	0	0
Information Technology Services	8	2	2	2	2
Public Transportation Systems	15	15	16	16	16
Correctional Industries	11	11	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	7	5	5	5	5
All Other	118	222	232	220	219

[1] Includes transfers related to the multi-year OPWDD disallowance repayments, including the use of monetary settlement funds for the $850 million upfront repayment.

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 Updated 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 $11.5 billion in FY 2017, a $151 million increase from FY 2016. This growth is primarily due to transfers and uses of settlement money.

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 ESD, DASNY, and the New York State Thruway Authority, subject to appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
General Fund	1,196	706	-41.0%	1,260	78.5%	1,182	-6.2%	1,076	-9.0%
Other State Support	4,402	4,372	-0.7%	4,997	14.3%	5,589	11.8%	6,156	10.1%
State Operating/All Funds Total	**5,598**	**5,078**	**-9.3%**	**6,257**	**23.2%**	**6,771**	**8.2%**	**7,232**	**6.8%**

Total State Operating/All Funds debt service is projected at $5.1 billion in FY 2017, of which approximately $706 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 State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Updated Financial Plan estimates for debt service spending have been revised to reflect an additional $125 million in assumed refunding savings in FY 2017. Debt service spending in FY 2016 reflected prepayments of about $710 million due during FY 2017, and FY 2017 debt service spending estimates continue to assume the prepayment of $60 million of debt service due during FY 2018.

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GAAP-Basis Results for Prior Fiscal Years

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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 issued the Basic Financial Statements for FY 2016 on July 29, 2016. 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, 2016 is expected to be issued later in the current 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 Basic Financial Statements (including Other Supplementary Information) 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.

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Authorities and Localities

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Authorities and Localities

Note that there are presently no updates to the State's financial disclosure concerning localities. As such, the following section provides updates only for the information related to public authorities. Please refer to the AIS dated June 29, 2016 for current financial disclosure information on localities.

Public Authorities

For the purposes of this section, "authorities" refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State's CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and may issue bonds and notes within the amounts and restrictions set forth in legislative authorization. The State's access to the public credit markets through bond issuances constituting State-supported or State-related debt issuances by certain of its authorities could be impaired and the market price of the outstanding debt issued on its behalf may be materially and adversely affected if these authorities were to default on their respective State-supported or State-related debt issuances.

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. In addition, State legislation also authorizes several financing structures, which may be utilized for the financings.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefor in any given year. Some public authorities also receive monies from State appropriations to pay for the operating costs of certain programs.

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As of December 31, 2015 (with respect to Job Development Authority or "JDA" as of March 31, 2016), each of the 19 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $179 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2015[2]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[3]	28,400	19,732	48,132
Metropolitan Transportation Authority	218	27,356	27,574
Port Authority of NY & NJ	0	24,929	24,929
Housing Finance Agency	502	13,485	13,987
UDC/ESD	11,973	837	12,810
Thruway Authority	6,085	4,924	11,009
Triborough Bridge and Tunnel Authority	0	8,334	8,334
Long Island Power Authority[4]	0	7,371	7,371
Job Development Authority[2]	6	6,800	6,806
Environmental Facilities Corporation	324	5,763	6,087
Energy Research and Development Authority	0	3,127	3,127
State of New York Mortgage Agency	0	2,496	2,496
Local Government Assistance Corporation	2,058	0	2,058
Power Authority	0	1,562	1,562
Tobacco Settlement Financing Corporation	1,378	0	1,378
Battery Park City Authority	0	1,009	1,009
Municipal Bond Bank Agency	234	240	474
Niagara Frontier Transportation Authority	0	122	122
Bridge Authority	0	104	104
TOTAL OUTSTANDING	51,178	128,191	179,369

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 debt previously issued by New York State Medical Care Facilities Finance Agency, which was consolidated with the Dormitory Authority on September 1, 1995.

[4] Includes $2.92 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.

State Retirement System

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State Retirement System

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, 2015, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2015 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/. For the fiscal year ended March 31, 2016, the System's audited Financial Statements were available on the OSC website as of July 31, 2016 and the NYSLRS' CAFR and Asset listing will be available by September 30, 2016.

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 2015 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 the New York State Department of Financial Services ("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:

http://www.osc.state.ny.us/retire/employers/tier-6/index.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 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System's Actuary, which is currently 7.0 percent.[7]

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 significant investment losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012,

[7] 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 NYSLRS employer contribution rates decreased for fiscal year 2017 and the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent.

FY 2013 and FY 2014. However, rates decreased for FY 2015, FY 2016 and FY 2017 due, in part, to investment gains in years following 2009.

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Final contribution rates for FY 2017 were released in September 2015. The average ERS rate decreased by 14.3 percent from 18.2 percent of salary in FY 2016 to 15.6 percent of salary in FY 2017, while the average PFRS rate decreased by 2.0 percent from 24.7 percent of salary in FY 2016 to 24.2 percent of salary in FY 2017. Information regarding average rates for FY 2017 may be found in the 2015 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 and FY 2016, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent and 3.21 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 provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. 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.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing 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 and 3.31 percent for FY 2016). 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 2016 was approximately $2.476 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2016 payment by $356.1 million.

The total State payment (including Judiciary) due to NYSLRS for FY 2017 is approximately $2.263 billion. Multiple prepayments to date, including interest credit, have reduced the outstanding balance to be paid on March 1, 2017 to $0. The maximum amount eligible for amortization for FY 2017 is $55.5 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities."

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.[8] The System's audited Financial Statement reports an investment rate of return of 0.19 percent 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.[9]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $216.4 billion on April 1, 2014 to $225.7 billion (including $107.7 billion for current retirees and beneficiaries) on April 1, 2015. 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, 2015. 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, 2015 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2015, 40 percent of the unexpected gain for FY 2014, 60 percent of the unexpected gain for FY 2013, and 80 percent of the unexpected gain for FY 2012[10]. The asset valuation method smoothes gains

[8] On August 16, 2016, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 2 percent return for the three-month period ended June 30, 2016. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[9] More detail on the CRF's asset allocation as of March 31, 2015, long-term policy allocation and transition target allocation can be found on page 88 of the NYSLRS' CAFR for the fiscal year ending March 31, 2015.

[10] The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.0 percent assumed investment rate of return over a 5-year period.

and losses based on the market value of all investments. Actuarial assets increased from $171.7 billion on April 1, 2014 to $184.2 billion on April 1, 2015. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2015, calculated by the System's Actuary, was 97.9 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2015, calculated by the System's Actuary, was 99.0 percent[11].

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.

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The standards for employers were effective for fiscal years that began after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016. The System provided employers with the information required to comply with Statement No. 68 in August 2015, based on the System's measurement date of March 31, 2015. The Net Pension Liability is allocated to participating employers and reported pursuant to both Statements 67 and 68. 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.

[11] The System previously disclosed a funded ratio in accordance with GASB Statements 25 and 27, which, as discussed herein, have been amended by GASB Statements 67 and 68. The GASB Statements 67 and 68 amendments had the effect, among other things, of no longer requiring the disclosure of a funded ratio. GASB now requires the disclosure of the ratio of the fiduciary net position to the total pension liability. This ratio is not called a funded ratio and is not directly comparable to the funded ratio disclosed in prior years.

Detailed "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" can be found on the OSC website at the following link:

https://www.osc.state.ny.us/retire/about us/financial statements index.php#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: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
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 actuarily 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 March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
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.

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Litigation and Arbitration

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Litigation and Arbitration

Real Property Claims

There are several cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal.

In Oneida *Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the plaintiff, alleged successors-in-interest to the historic Oneida Indian Nation, sought a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place between 1795 and 1846, money damages, and the ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. In 1998, the United States intervened in support of plaintiff.

During the pendency of this case, significant decisions were rendered by the United States Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki*, 413 F.3d 266 (2d Cir. 2005), cert. denied, 547 U.S. 1128 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims.

Relying on these decisions, in *Oneida Indian Nation et al. v. County of Oneida et al*., 617 F.3d 114 (2d Cir. 2010), the Second Circuit Court of Appeals dismissed the Oneida land claim. On October 17, 2011, the United States Supreme Court denied plaintiffs' petitions for certiorari to review the decision of the Second Circuit. See 132 S. Ct. 452 (2011).

The Oneidas petitioned the US government to have the Department of the Interior (DOI) take lands into trust that it had purchased on the open market, which lie within the bounds of the former reservation. An administrative decision by the DOI granted this request, taking about 17,000 acres into trust. This administrative action was thereafter challenged in an affirmative federal Administrative Procedure Act (APA) action, *State of New York v. Jewell*, No. 08-cv-644 (N.D.N.Y.), by the State, the Counties, local governments, and some citizen's groups in a number of consolidated APA lawsuits. On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement places a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, and was approved by the Federal Court on March 4, 2014 in *State of New York v. Jewell*, No. 08-cv-644, 2014 U.S. Dist. LEXIS 27042 (N.D.N.Y. Mar. 4, 2014).

There are three cases challenging the settlement agreement. In *Matter of Town of Verona, et al. v. Cuomo, et al*. (Sup. Ct., Albany Co.), the plaintiffs are citizen taxpayers, voters, and two towns. The defendants answered and moved for summary judgment which was granted in a Decision/Order/Judgment on June 27, 2014 dismissing all claims in the complaint and denying plaintiffs' cross-motion to amend. Plaintiffs filed a Notice of Appeal on March 17, 2015. In an opinion and order entered December 17, 2015, the Appellate Division, Third Department affirmed Supreme Court's judgment upholding the settlement agreement and dismissing the action. On March 1, 2016, the Appellate Division, Third Department denied plaintiffs' motion for reargument or leave to appeal. Plaintiffs thereafter moved in the Court of Appeals for leave to appeal. The Court of Appeals denied Plaintiff's motion for leave to appeal, with costs, on June 9, 2016.

In *Schulz v. New York State Executive, et al*., (Sup. Ct., Albany Co.), plaintiff seeks a declaratory judgment that the New York Gaming Act, the New York Tax Free Zones Act, and the Oneida, St. Regis Mohawk and Seneca Nation settlement agreements violate various provisions of the State Constitution. In a decision, order and judgment dated April 10, 2014, the court disposed of some of the constitutional challenges to the statutes and ordered that plaintiff serve the tribes and the Counties of Madison and Oneida within thirty days. The counties dispute whether they were properly served and the tribes appear to have invoked immunity from suit such that none of those parties answered the amended complaint by June 16, 2014 as directed by the court. On November 5, 2014, the court dismissed the remainder of the action in its entirety.

The petitioner appealed. By opinion and order entered April 7, 2016, the Appellate Division, Third Department affirmed the dismissal of the action. On May 2, 2016, petitioner appealed to the Court of Appeals, asserting a significant constitutional question. On June 23, 2016, the Court of Appeals dismissed the appeal on the ground that no substantial constitutional question is directly involved.

In *Kaplan v. State of New York* (Sup. Ct., Oneida Co), plaintiff is a citizen taxpayer and voter who claims that the settlement agreement violates the State Constitution by delegating the State's taxing power. On July 16, 2015, the State filed a motion to dismiss the complaint on several grounds, including laches, comity and failure to state a claim. Defendants' motion to dismiss was fully briefed and argued on September 16, 2015. The Oneida County Supreme Court dismissed the plaintiff's claims and issued declaratory judgment in favor of the State on February 19, 2016, finding that the State did not violate the State Constitution by contracting away its power to tax when it entered into the Oneida Settlement Agreement. On March 17, 2016, plaintiff filed a notice of appeal. Plaintiff filed his brief in the Appellate Division, Fourth Department, on June 14, 2016. The State's responding brief was filed August 17, 2016.

In *Canadian St. Regis Band of Mohawk Indians, et al. v. State of New York*, et al. ("NDNY"), plaintiffs seek ejectment and monetary damages for their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. The defendants' motion for judgment on the pleadings, relying on the decisions in *Sherrill*, *Cayuga*, and *Oneida* was granted in great part through decisions on July 8, 2013 and July 23, 2013, holding that all claims are dismissed except for claims over the area known as the Hogansburg Triangle and a right of way claim against Niagara Mohawk Power Corporation, which will now proceed through discovery and additional motion practice.

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least September 13, 2016 to allow for settlement negotiations.

On May 28, 2014, the State, the New York Power Authority and St. Lawrence County signed a memorandum of understanding with the St. Regis Mohawk Tribe endorsing a general framework for a settlement, subject to further negotiation. The memorandum of understanding does not address all claims by all parties and will require a formal written settlement agreement. Any formal settlement agreement will also require additional local, State and Congressional approval.

In *Shinnecock Indian Nation v. State of New York*, et al. (EDNY), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The *Shinnecock* appeal to the Second Circuit was reinstated and, on October 28, 2015, the Second Circuit affirmed the District Court's decision dismissing plaintiff's claim. On March 25, 2016, plaintiff filed a petition for a writ of certiorari in the United States Supreme Court from the Second Circuit's decision. On June 27, 2016, the Supreme Court denied plaintiff's petition for certiorari.

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. Document discovery closed on July 1, 2015; a court status conference was adjourned to March 2, 2016, pending ongoing settlement negotiations.

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 adjourned to September 21, 2016. Pending settlement discussions of the remaining "facility specific rebasing claims" issue, the parties anticipate agreeing to defer the briefing schedule by an additional four weeks, but the next court date remains September 21, 2016.

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. The appeal is fully perfected and will be argued on September 16, 2016 before the Appellate Division, Third Department.

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.

Discovery is currently underway. Plaintiffs' motion for class action certification must be filed with the District Court by September 6, 2016. Defendants' response is due by October 7, 2016 and plaintiffs' reply, if any, is due by October 14, 2016. A trial on the issue of damages is scheduled to begin in March 2017.

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Financial Plan Tables

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Financial Plan Tables

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2016 and projected receipts and disbursements for fiscal years 2017 through 2020 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2017 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps would be higher.

General Fund - Total Budget
- Financial Plan, Annual Change from FY 2016 to FY 2017
- Financial Plan Projections FY 2017 through FY 2020
- Update to FY 2017
- Update to FY 2018
- Update to FY 2019
- Update to FY 2020

General Fund - Receipts Detail (Excluding Transfers)
- Financial Plan Projections FY 2017 through FY 2020

State Operating Funds Budget
- FY 2017
- FY 2018
- FY 2019
- FY 2020

All Governmental Funds - Total Budget
- FY 2017
- FY 2018
- FY 2019
- FY 2020

Cashflow - FY 2017 Monthly Projections
- General Fund

CASH FINANCIAL PLAN
GENERAL FUND
ANNUAL CHANGE FROM CURRENT YEAR
(millions of dollars)

	FY 2016 Results	FY 2017 First Quarter	Annual $ Change	Annual % Change
Opening Fund Balance	7,300	8,934	1,634	22.4%
Receipts:				
Taxes:				
Personal Income Tax	31,957	33,420	1,463	4.6%
Consumption/Use Taxes	6,819	7,085	266	3.9%
Business Taxes	5,647	5,750	103	1.8%
Other Taxes	1,540	1,045	(495)	-32.1%
Miscellaneous Receipts	5,842	2,826	(3,016)	-51.6%
Federal Receipts	0	1	1	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,159	10,874	715	7.0%
Sales Tax in Excess of LGAC	2,728	2,867	139	5.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,759	2,646	(113)	-4.1%
Real Estate Taxes in Excess of CW/CA Debt Service	972	951	(21)	-2.2%
All Other	1,253	1,203	(50)	-4.0%
Total Receipts	69,676	68,668	(1,008)	-1.4%
Disbursements:				
Local Assistance Grants	43,314	45,769	2,455	5.7%
Departmental Operations:				
Personal Service	6,011	6,012	1	0.0%
Non-Personal Service	1,944	2,253	309	15.9%
General State Charges	5,397	5,552	155	2.9%
Transfers to Other Funds:				
Debt Service	1,196	706	(490)	-41.0%
Capital Projects	2,721	3,810	1,089	40.0%
State Share of Mental Hygiene Medicaid	2,036	1,437	(599)	-29.4%
SUNY Operations	998	996	(2)	-0.2%
Other Purposes	4,425	4,578	153	3.5%
Total Disbursements	68,042	71,113	3,071	4.5%
Excess (Deficiency) of Receipts Over Disbursements	1,634	(2,445)	(4,079)	-249.6%
Closing Fund Balance	8,934	6,489	(2,445)	-27.4%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,258	1,258	0	
Rainy Day Reserve Fund	540	540	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	63	53	(10)	
Reserved For				
Labor Agreements Prior to FY 2017	15	90	75	
Debt Management	500	500	0	
Undesignated Fund Balance[1]	237	0	(237)	
Monetary Settlements	6,300	4,027	(2,273)	
Programmed	5,755	3,332	(2,423)	
Unbudgeted	545	695	150	

[1]The undesignated fund balance carried forward from FY 2016 totaled $237 million of which $90 million is held in reserve for potential costs of prior year labor agreements and the remaining $162 million is used in FY 2017.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2017 through FY 2020
(millions of dollars)

	FY 2017 First Quarter	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts:				
Taxes:				
Personal Income Tax	33,420	35,389	35,429	36,988
Consumption/Use Taxes	7,085	7,421	7,709	7,979
Business Taxes	5,750	6,078	6,155	6,538
Other Taxes	1,045	971	933	984
Miscellaneous Receipts	2,826	2,486	2,455	2,335
Federal Receipts	1	1	1	1
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,874	10,883	10,442	10,501
Sales Tax in Excess of LGAC	2,867	3,115	3,156	3,294
Sales Tax in Excess of Revenue Bond Debt Service	2,646	2,718	2,800	3,009
Real Estate Taxes in Excess of CW/CA Debt Service	951	1,021	1,076	1,128
All Other	1,203	751	750	734
Total Receipts	68,668	70,834	70,906	73,491
Disbursements:				
Local Assistance Grants	45,769	48,967	51,595	54,450
Departmental Operations:				
Personal Service	6,012	6,068	6,104	6,166
Non-Personal Service	2,253	2,613	2,426	2,502
General State Charges	5,552	5,916	6,124	6,467
Transfers to Other Funds:				
Debt Service	706	1,260	1,182	1,076
Capital Projects	3,810	3,469	3,399	3,311
State Share of Mental Hygiene Medicaid	1,437	1,325	1,301	1,236
SUNY Operations	996	1,001	997	997
Other Purposes	4,578	4,805	5,160	5,571
Total Disbursements	71,113	75,424	78,288	81,776
Use (Reservation) of Fund Balance:				
Community Projects Fund	10	0	0	0
Labor Agreements Prior to FY 2017	75	0	0	0
Undesignated Fund Balance	87	0	0	0
Monetary Settlements	2,273	1,352	1,200	731
Programmed	2,423	1,352	1,200	731
Unbudgeted	(150)	0	0	0
Total Use (Reservation) of Fund Balance	2,445	1,352	1,200	731
Adherence to 2% Spending Benchmark*	0	3,031	4,710	6,532
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	(207)	(1,472)	(1,022)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
GENERAL FUND
FY 2017
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	33,870	(450)	33,420
Consumption/Use Taxes	7,087	(2)	7,085
Business Taxes	5,750	0	5,750
Other Taxes	1,045	0	1,045
Miscellaneous Receipts	2,813	13	2,826
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,899	(25)	10,874
Sales Tax in Excess of LGAC	2,868	(1)	2,867
Sales Tax in Excess of Revenue Bond Debt Service	2,647	(1)	2,646
Real Estate Taxes in Excess of CW/CA Debt Service	951	0	951
All Other	1,046	157	1,203
Total Receipts	68,976	(308)	68,668
Disbursements:			
Local Assistance Grants	45,957	(188)	45,769
Departmental Operations:			
Personal Service	6,054	(42)	6,012
Non-Personal Service	2,245	8	2,253
General State Charges	5,425	127	5,552
Transfers to Other Funds:			
Debt Service	706	0	706
Capital Projects	4,461	(651)	3,810
State Share of Mental Hygiene Medicaid	1,437	0	1,437
SUNY Operations	996	0	996
Other Purposes	4,560	18	4,578
Total Disbursements	71,841	(728)	71,113
Use (Reservation) of Fund Balance:			
Community Projects Fund	10	0	10
Labor Agreements Prior to FY 2017	15	60	75
Undesignated Fund Balance	87	0	87
Monetary Settlements	2,753	(480)	2,273
Programmed	2,873	(450)	2,423
Unbudgeted	(120)	(30)	(150)
Total Use (Reservation) of Fund Balance	2,865	(420)	2,445
Adherence to 2% Spending Benchmark*	0	0	0
Net General Fund Surplus (Deficit)	0	0	0

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
GENERAL FUND
FY 2018
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	35,839	(450)	35,389
Consumption/Use Taxes	7,424	(3)	7,421
Business Taxes	6,078	0	6,078
Other Taxes	970	1	971
Miscellaneous Receipts	2,486	0	2,486
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	11,033	(150)	10,883
Sales Tax in Excess of LGAC	3,117	(2)	3,115
Sales Tax in Excess of Revenue Bond Debt Service	2,719	(1)	2,718
Real Estate Taxes in Excess of CW/CA Debt Service	1,021	0	1,021
All Other	750	1	751
Total Receipts	71,437	(603)	70,834
Disbursements:			
Local Assistance Grants	49,086	(119)	48,967
Departmental Operations:			
Personal Service	6,097	(29)	6,068
Non-Personal Service	2,558	55	2,613
General State Charges	5,824	92	5,916
Transfers to Other Funds:			
Debt Service	1,260	0	1,260
Capital Projects	3,019	450	3,469
State Share of Mental Hygiene Medicaid	1,325	0	1,325
SUNY Operations	1,001	0	1,001
Other Purposes	4,770	35	4,805
Total Disbursements	74,940	484	75,424
Use (Reservation) of Fund Balance:			
Monetary Settlements	902	450	1,352
Programmed	902	450	1,352
Unbudgeted	0	0	0
Total Use (Reservation) of Fund Balance	902	450	1,352
Adherence to 2% Spending Benchmark*	2,956	75	3,031
Net General Fund Surplus (Deficit)	355	(562)	(207)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
GENERAL FUND
FY 2019
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	35,879	(450)	35,429
Consumption/Use Taxes	7,712	(3)	7,709
Business Taxes	6,155	0	6,155
Other Taxes	933	0	933
Miscellaneous Receipts	2,455	0	2,455
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,592	(150)	10,442
Sales Tax in Excess of LGAC	3,158	(2)	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,802	(2)	2,800
Real Estate Taxes in Excess of CW/CA Debt Service	1,076	0	1,076
All Other	750	0	750
Total Receipts	71,512	(606)	70,906
Disbursements:			
Local Assistance Grants	51,650	(55)	51,595
Departmental Operations:			
Personal Service	6,135	(31)	6,104
Non-Personal Service	2,364	62	2,426
General State Charges	6,033	91	6,124
Transfers to Other Funds:			
Debt Service	1,182	0	1,182
Capital Projects	3,399	0	3,399
State Share of Mental Hygiene Medicaid	1,301	0	1,301
SUNY Operations	997	0	997
Other Purposes	5,126	34	5,160
Total Disbursements	78,187	101	78,288
Use (Reservation) of Fund Balance:			
Monetary Settlements	1,200	0	1,200
Programmed	1,200	0	1,200
Unbudgeted	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	1,200
Adherence to 2% Spending Benchmark*	4,634	76	4,710
Net General Fund Surplus (Deficit)	(841)	(631)	(1,472)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
GENERAL FUND
FY 2020
(millions of dollars)

	Enacted	Change	First Quarter
Receipts:			
Taxes:			
Personal Income Tax	37,438	(450)	36,988
Consumption/Use Taxes	7,983	(4)	7,979
Business Taxes	6,538	0	6,538
Other Taxes	984	0	984
Miscellaneous Receipts	2,318	17	2,335
Federal Receipts	0	1	1
Transfers from Other Funds:			
PIT in Excess of Revenue Bond Debt Service	10,651	(150)	10,501
Sales Tax in Excess of LGAC	3,296	(2)	3,294
Sales Tax in Excess of Revenue Bond Debt Service	3,011	(2)	3,009
Real Estate Taxes in Excess of CW/CA Debt Service	1,128	0	1,128
All Other	734	0	734
Total Receipts	74,081	(590)	73,491
Disbursements:			
Local Assistance Grants	54,496	(46)	54,450
Departmental Operations:			
Personal Service	6,189	(23)	6,166
Non-Personal Service	2,451	51	2,502
General State Charges	6,417	50	6,467
Transfers to Other Funds:			
Debt Service	1,076	0	1,076
Capital Projects	3,311	0	3,311
State Share of Mental Hygiene Medicaid	1,236	0	1,236
SUNY Operations	997	0	997
Other Purposes	5,536	35	5,571
Total Disbursements	81,709	67	81,776
Use (Reservation) of Fund Balance:			
Monetary Settlements	731	0	731
Programmed	731	0	731
Unbudgeted	0	0	0
Total Use (Reservation) of Fund Balance	731	0	731
Adherence to 2% Spending Benchmark*	6,498	34	6,532
Net General Fund Surplus (Deficit)	(399)	(623)	(1,022)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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 RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2017 THROUGH FY 2020
(millions of dollars)

	FY 2017 First Quarter	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:				
Withholdings	38,356	39,802	41,056	43,158
Estimated Payments	15,506	17,205	16,594	17,644
Final Payments	2,720	2,891	3,034	3,168
Other Payments	1,358	1,397	1,457	1,521
Gross Collections	57,940	61,295	62,141	65,491
State/City Offset	(688)	(688)	(688)	(589)
Refunds	(8,388)	(9,452)	(10,319)	(11,759)
Reported Tax Collections	48,864	51,155	51,134	53,143
STAR (Dedicated Deposits)	(3,228)	(2,977)	(2,921)	(2,869)
RBTF (Dedicated Transfers)	(12,216)	(12,789)	(12,784)	(13,286)
Personal Income Tax	33,420	35,389	35,429	36,988
Sales and Use Tax	12,958	13,626	14,212	14,764
Cigarette and Tobacco Taxes	348	345	335	324
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	258	263	268	273
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	13,564	14,234	14,815	15,361
LGAC/STBF (Dedicated Transfers)	(6,479)	(6,813)	(7,106)	(7,382)
Consumption/Use Taxes	7,085	7,421	7,709	7,979
Corporation Franchise Tax	3,688	3,950	3,949	4,312
Corporation and Utilities Tax	568	559	563	569
Insurance Taxes	1,321	1,407	1,521	1,597
Bank Tax	173	162	122	60
Petroleum Business Tax	0	0	0	0
Business Taxes	5,750	6,078	6,155	6,538
Estate Tax	1,024	950	912	963
Real Estate Transfer Tax	1,138	1,204	1,258	1,308
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	3	3	3	3
Gross Other Taxes	2,183	2,175	2,191	2,292
Real Estate Transfer Tax (Dedicated)	(1,138)	(1,204)	(1,258)	(1,308)
Other Taxes	1,045	971	933	984
Payroll Tax	0	0	0	0
Total Taxes	47,300	49,859	50,226	52,489
Licenses, Fees, Etc.	639	661	634	666
Abandoned Property	525	525	525	525
Motor Vehicle Fees	183	233	246	258
ABC License Fee	63	60	66	62
Reimbursements	263	298	280	303
Investment Income	15	13	8	8
Other Transactions	1,138	696	696	513
Miscellaneous Receipts	2,826	2,486	2,455	2,335
Federal Receipts	1	1	1	1
Total	50,127	52,346	52,682	54,825

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	47,300	8,193	19,714	75,207
Miscellaneous Receipts	2,826	15,876	455	19,157
Federal Receipts	1	1	73	75
Total Receipts	50,127	24,070	20,242	94,439
Disbursements:				
Local Assistance Grants	45,769	19,005	0	64,774
Departmental Operations:				
Personal Service	6,012	6,884	0	12,896
Non-Personal Service	2,253	3,462	39	5,754
General State Charges	5,552	2,157	0	7,709
Debt Service	0	0	5,078	5,078
Capital Projects	0	3	0	3
Total Disbursements	59,586	31,511	5,117	96,214
Other Financing Sources (Uses):				
Transfers from Other Funds	18,541	7,870	3,262	29,673
Transfers to Other Funds	(11,527)	(855)	(18,297)	(30,679)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,014	7,015	(15,035)	(1,006)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,445)	(426)	90	(2,781)
Closing Fund Balance	6,489	3,121	250	9,860

Source: NYS DOB.

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
Receipts:				
Taxes	49,859	8,033	20,687	78,579
Miscellaneous Receipts	2,486	15,624	465	18,575
Federal Receipts	1	1	73	75
Total Receipts	52,346	23,658	21,225	97,229
Disbursements:				
Local Assistance Grants	48,967	18,875	0	67,842
Departmental Operations:				
Personal Service	6,068	6,819	0	12,887
Non-Personal Service	2,613	3,387	49	6,049
General State Charges	5,916	2,216	0	8,132
Debt Service	0	0	6,257	6,257
Capital Projects	0	2	0	2
Total Disbursements	63,564	31,299	6,306	101,169
Other Financing Sources (Uses):				
Transfers from Other Funds	18,488	8,078	3,976	30,542
Transfers to Other Funds	(11,860)	(205)	(18,786)	(30,851)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,628	7,873	(14,810)	(309)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,352	0	0	1,352
Programmed	1,352	0	0	1,352
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,352	0	0	1,352
Adherence to 2% Spending Benchmark*	3,031	0	0	3,031
Net Surplus (Deficit)	(207)	232	109	134

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,226	8,102	21,029	79,357
Miscellaneous Receipts	2,455	15,847	461	18,763
Federal Receipts	1	1	73	75
Total Receipts	52,682	23,950	21,563	98,195
Disbursements:				
Local Assistance Grants	51,595	19,101	0	70,696
Departmental Operations:				
Personal Service	6,104	6,901	0	13,005
Non-Personal Service	2,426	3,453	49	5,928
General State Charges	6,124	2,287	0	8,411
Debt Service	0	0	6,771	6,771
Capital Projects	0	0	0	0
Total Disbursements	66,249	31,742	6,820	104,811
Other Financing Sources (Uses):				
Transfers from Other Funds	18,224	8,354	3,821	30,399
Transfers to Other Funds	(12,039)	(216)	(18,472)	(30,727)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,185	8,138	(14,651)	(328)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,200	0	0	1,200
Programmed	1,200	0	0	1,200
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	1,200
Adherence to 2% Spending Benchmark*	4,710	0	0	4,710
Net Surplus (Deficit)	(1,472)	346	92	(1,034)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,489	8,157	21,857	82,503
Miscellaneous Receipts	2,335	15,684	459	18,478
Federal Receipts	1	1	73	75
Total Receipts	54,825	23,842	22,389	101,056
Disbursements:				
Local Assistance Grants	54,450	19,066	0	73,516
Departmental Operations:				
Personal Service	6,166	6,940	0	13,106
Non-Personal Service	2,502	3,425	49	5,976
General State Charges	6,467	2,338	0	8,805
Debt Service	0	0	7,232	7,232
Capital Projects	0	0	0	0
Total Disbursements	69,585	31,769	7,281	108,635
Other Financing Sources (Uses):				
Transfers from Other Funds	18,666	8,555	3,837	31,058
Transfers to Other Funds	(12,191)	(213)	(18,786)	(31,190)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,475	8,342	(14,949)	(132)
Use (Reservation) of Fund Balance:				
Monetary Settlements	731	0	0	731
Programmed	731	0	0	731
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	731
Adherence to 2% Spending Benchmark*	6,532	0	0	6,532
Net Surplus (Deficit)	(1,022)	415	159	(448)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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.

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	47,300	8,193	1,295	19,714	76,502
Miscellaneous Receipts	2,826	16,092	4,719	455	24,092
Federal Receipts	1	49,528	2,162	73	51,764
Total Receipts	50,127	73,813	8,176	20,242	152,358
Disbursements:					
Local Assistance Grants	45,769	64,873	4,136	0	114,778
Departmental Operations:					
Personal Service	6,012	7,571	0	0	13,583
Non-Personal Service	2,253	4,692	0	39	6,984
General State Charges	5,552	2,492	0	0	8,044
Debt Service	0	0	0	5,078	5,078
Capital Projects	0	3	7,235	0	7,238
Total Disbursements	59,586	79,631	11,371	5,117	155,705
Other Financing Sources (Uses):					
Transfers from Other Funds	18,541	7,870	4,107	3,262	33,780
Transfers to Other Funds	(11,527)	(2,574)	(1,457)	(18,297)	(33,855)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	7,014	5,296	3,259	(15,035)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,445)	(522)	64	90	(2,813)
Closing Fund Balance	6,489	3,085	(827)	250	8,997

Source: NYS DOB.

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
Receipts:					
Taxes	49,859	8,033	1,327	20,687	79,906
Miscellaneous Receipts	2,486	15,840	7,127	465	25,918
Federal Receipts	1	50,606	2,093	73	52,773
Total Receipts	52,346	74,479	10,547	21,225	158,597
Disbursements:					
Local Assistance Grants	48,967	65,657	4,856	0	119,480
Departmental Operations:					
Personal Service	6,068	7,491	0	0	13,559
Non-Personal Service	2,613	4,596	0	49	7,258
General State Charges	5,916	2,550	0	0	8,466
Debt Service	0	0	0	6,257	6,257
Capital Projects	0	2	8,518	0	8,520
Total Disbursements	63,564	80,296	13,374	6,306	163,540
Other Financing Sources (Uses):					
Transfers from Other Funds	18,488	8,078	3,598	3,976	34,140
Transfers to Other Funds	(11,860)	(2,081)	(1,506)	(18,786)	(34,233)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	6,628	5,997	2,820	(14,810)	635
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,352	0	0	0	1,352
Programmed	1,352	0	0	0	1,352
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,352	0	0	0	1,352
Adherence to 2% Spending Benchmark*	3,031	0	0	0	3,031
Net Surplus (Deficit)	(207)	180	(7)	109	75

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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 2019
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,226	8,102	1,323	21,029	80,680
Miscellaneous Receipts	2,455	16,063	6,367	461	25,346
Federal Receipts	1	51,366	2,091	73	53,531
Total Receipts	52,682	75,531	9,781	21,563	159,557
Disbursements:					
Local Assistance Grants	51,595	66,674	4,244	0	122,513
Departmental Operations:					
Personal Service	6,104	7,580	0	0	13,684
Non-Personal Service	2,426	4,641	0	49	7,116
General State Charges	6,124	2,625	0	0	8,749
Debt Service	0	0	0	6,771	6,771
Capital Projects	0	0	7,986	0	7,986
Total Disbursements	66,249	81,520	12,230	6,820	166,819
Other Financing Sources (Uses):					
Transfers from Other Funds	18,224	8,354	3,527	3,821	33,926
Transfers to Other Funds	(12,039)	(2,042)	(1,479)	(18,472)	(34,032)
Bond and Note Proceeds	0	0	681	0	681
Net Other Financing Sources (Uses)	6,185	6,312	2,729	(14,651)	575
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	0	0	1,200
Programmed	1,200	0	0	0	1,200
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	0	1,200
Adherence to 2% Spending Benchmark*	4,710	0	0	0	4,710
Net Surplus (Deficit)	(1,472)	323	280	92	(777)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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	52,489	8,157	1,323	21,857	83,826
Miscellaneous Receipts	2,335	15,900	6,158	459	24,852
Federal Receipts	1	52,667	2,147	73	54,888
Total Receipts	54,825	76,724	9,628	22,389	163,566
Disbursements:					
Local Assistance Grants	54,450	68,009	4,101	0	126,560
Departmental Operations:					
Personal Service	6,166	7,621	0	0	13,787
Non-Personal Service	2,502	4,632	0	49	7,183
General State Charges	6,467	2,677	0	0	9,144
Debt Service	0	0	0	7,232	7,232
Capital Projects	0	0	7,561	0	7,561
Total Disbursements	69,585	82,939	11,662	7,281	171,467
Other Financing Sources (Uses):					
Transfers from Other Funds	18,666	8,555	3,412	3,837	34,470
Transfers to Other Funds	(12,191)	(1,885)	(1,711)	(18,786)	(34,573)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	6,475	6,670	2,116	(14,949)	312
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	0	0	731
Programmed	731	0	0	0	731
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	0	731
Adherence to 2% Spending Benchmark*	6,532	0	0	0	6,532
Net Surplus (Deficit)	(1,022)	455	82	159	(326)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
FY2017
(dollars in millions)

	2016 April Results	May Results	June Results	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,893	7,751	7,210	6,742	6,450	9,914	8,936	7,010	9,916	11,217	11,228	8,934
RECEIPTS:													
Personal Income Tax	4,787	1,639	3,123	1,926	2,279	3,658	1,713	1,940	3,740	3,309	2,615	2,691	33,420
Consumption/Use Taxes	547	523	711	558	541	676	550	553	718	572	466	670	7,085
Business Taxes	158	84	871	66	(43)	945	86	104	1,201	180	98	2,000	5,750
Other Taxes	75	108	79	79	89	89	88	88	88	87	87	88	1,045
Total Taxes	5,567	2,354	4,784	2,629	2,866	5,368	2,437	2,685	5,747	4,148	3,266	5,449	47,300
Abandoned Property	0	0	0	0	0	20	25	120	25	40	20	275	525
ABC License Fee	6	5	4	4	6	6	6	5	5	5	5	6	63
Investment Income	2	2	2	1	1	1	1	1	1	1	1	1	15
Licenses, Fees, etc.	22	70	54	49	55	65	45	50	65	45	60	59	639
Motor Vehicle Fees	17	16	26	(4)	21	19	16	15	13	14	14	16	183
Reimbursements	6	16	36	6	8	45	3	20	40	14	25	44	263
Other Transactions	16	404	54	28	33	238	35	58	78	56	35	103	1,138
Total Miscellaneous Receipts	69	513	176	84	124	394	131	269	227	175	160	504	2,826
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	1	1
PIT in Excess of Revenue Bond Debt Service	1,594	531	1,181	473	290	1,493	572	371	1,288	692	614	1,775	10,874
Tax in Excess of LGAC	247	111	453	249	209	309	249	250	333	257	3	197	2,867
Sales Tax Bond Fund	196	184	274	196	194	277	190	191	274	198	156	316	2,646
Real Estate Taxes in Excess of CW/CA Debt Service	74	74	91	94	81	83	82	73	77	84	74	64	951
All Other	5	39	23	5	1	54	6	1	1	44	85	939	1,203
Total Transfers from Other Funds	2,116	939	2,022	1,017	775	2,216	1,099	886	1,973	1,275	932	3,291	18,541
TOTAL RECEIPTS	7,752	3,806	6,982	3,730	3,765	7,978	3,667	3,840	7,947	5,598	4,358	9,245	68,668
DISBURSEMENTS:													
School Aid	754	2,900	1,898	50	597	1,641	891	1,548	1,852	783	475	7,712	21,101
Higher Education	19	25	648	217	134	192	349	46	210	40	362	767	3,009
All Other Education	52	118	514	148	50	367	45	30	238	97	194	462	2,315
Medicaid - DOH	998	1,267	1,441	1,087	1,115	506	794	1,359	737	910	914	1,503	12,631
Public Health	20	207	52	56	34	55	49	63	41	64	50	53	744
Mental Hygiene	3	1	202	2	2	242	2	1	270	12	74	152	963
Children and Families	27	33	271	190	99	123	99	102	234	99	115	277	1,669
Temporary & Disability Assistance	95	94	156	93	101	102	102	101	101	102	102	113	1,262
Transportation	0	23	11	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	9	0	98	7	0	182	0	0	64	760
All Other	9	19	93	42	45	48	2	183	183	188	196	201	1,209
Total Local Assistance Grants	1,977	4,698	5,675	1,894	2,201	3,374	2,340	3,457	4,059	2,295	2,495	11,304	45,769
Personal Service	475	488	609	476	496	540	459	596	470	459	456	488	6,012
Non-Personal Service	103	135	162	132	176	183	184	191	185	188	208	406	2,253
Total Departmental Operations	578	623	771	608	672	723	643	787	655	647	664	894	8,265
General State Charges	2,440	193	391	403	194	193	415	311	61	439	294	218	5,552
Debt Service	245	(2)	(3)	157	(3)	(71)	103	0	(2)	332	(20)	(40)	706
Capital Projects	162	179	107	344	375	97	373	383	32	443	772	543	3,810
State Share Medicaid	95	105	162	127	133	143	154	97	149	116	93	63	1,437
SUNY Operations	213	213	212	179	0	0	0	179	0	0	0	0	996
Other Purposes	83	939	208	476	485	55	67	552	87	25	49	1,002	4,578
Total Transfers to Other Funds	798	1,434	686	1,293	990	224	1,247	1,211	266	916	894	1,568	11,527
TOTAL DISBURSEMENTS	5,793	6,948	7,523	4,198	4,057	4,514	4,645	5,766	5,041	4,297	4,347	13,984	71,113
Excess/(Deficiency) of Receipts over Disbursements	1,959	(3,142)	(541)	(468)	(292)	3,464	(978)	(1,926)	2,906	1,301	11	(4,739)	(2,445)
CLOSING BALANCE	10,893	7,751	7,210	6,742	6,450	9,914	8,936	7,010	9,916	11,217	11,228	6,489	6,489

Source: NYS DOB

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New York State
Annual Information Statement

June 29, 2016

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Annual Information Statement

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Introduction

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Introduction

This Annual Information Statement (AIS) is dated June 29, 2016 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 1, 2015 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Financial Plan" or "Enacted Budget") for fiscal year 2017[1] (FY 2017), issued by the Division of the Budget (DOB) in May 2016. The Enacted Budget sets forth the State's official Financial Plan projections for FY 2017 through FY 2020. It includes, among other things, information on the major components of the FY 2017 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.

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

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

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

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

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[1] The State fiscal year is identified by the calendar year in which it ends. For example, FY 2017 is the FY that began on April 1, 2016 and ends on March 31, 2017.

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", 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 2016 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, 2016. 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, 2016. These reports will contain the final FY 2016 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 2015 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.

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

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

The State also reports disbursements and receipts activity for **All Governmental Funds** (All Funds), which includes spending from Capital Projects Funds and State and Federal operating funds, providing the most comprehensive view of the cash-basis financial operations of the State. The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables 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 a specified purpose; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction, maintenance and rehabilitation of roads, bridges, prisons, university facilities, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest, and related expenses for debt issued by the State and 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. The GAAP-basis Financial Plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis Financial Plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. However, GAAP is a financial reporting regime, not a budgeting system.

The 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 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 Financial Plan projections for FY 2018 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 to no greater than 2 percent. Total disbursements in the Financial Plan tables and narrative, contained in this AIS, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." 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.

Financial Plan Overview

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The following table provides certain Financial Plan information for FY 2016 and FY 2017.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

	FY 2016		FY 2017	
	Executive Revised[1]	Results	Executive Amended[2]	Enacted
State Operating Funds Disbursements				
Size of Budget	$94,289	$94,288	$95,898	$96,180
Annual Growth	2.0%	2.0%	1.7%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	$57,563	$56,666	$59,133	$59,681
Annual Growth	6.1%	4.4%	4.4%	5.3%
General Fund (Including Transfers)[3]	$72,583	$68,042	$70,636	$71,841
Annual Growth	15.5%	8.3%	3.8%	5.6%
State Funds (Including Capital)	$102,153	$101,232	$105,276	$106,302
Annual Growth	4.1%	3.1%	4.0%	5.0%
Capital Budget (Federal and State)*	$9,268	$8,981	$9,682	$11,920
Annual Growth	22.8%	19.0%	7.8%	32.7%
Federal Operating Aid (Excluding Extraordinary Aid) *	$40,030	$40,601	$39,786	$40,054
Annual Growth	3.5%	5.0%	-2.0%	-1.3%
All Funds (Excluding Extraordinary Aid) *	$143,587	$143,870	$145,366	$148,154
Annual Growth	3.6%	3.8%	1.0%	3.0%
Capital Budget (Including "Off-Budget") *	$10,027	$9,549	$10,535	$12,723
Annual Growth	21.0%	15.2%	10.3%	33.2%
All Funds (Including "Off-Budget" Capital) *	$144,346	$144,438	$146,219	$148,957
Annual Growth	3.6%	3.6%	1.2%	3.1%
Inflation (CPI)	0.4%	0.4%	1.3%	1.4%
All Funds Receipts				
Taxes	$75,083	$74,673	$77,625	$77,128
Annual Growth	5.7%	5.1%	4.0%	3.3%
Miscellaneous Receipts	$26,333	$27,268	$24,159	$23,567
Annual Growth	-10.5%	-7.4%	-11.4%	-13.6%
Federal Grants *	$44,579	$44,486	$43,242	$43,700
Annual Growth	2.7%	2.5%	-2.8%	-1.8%
Total Receipts *	$145,995	$146,427	$145,026	$144,395
Annual Growth	1.5%	1.8%	-1.0%	-1.4%
General Fund Cash Balance	$5,011	$8,934	$3,158	$6,069
Stabilization/Rainy Day Reserve Funds	$1,798	$1,798	$1,798	$1,798
Monetary Settlements[4]	$2,617	$6,300	$555	$3,547
All Other Reserves/Fund Balances	$596	$836	$805	$724
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,311	117,863	118,538	118,590
Debt				
Debt Service as % All Funds Receipts	3.9%	4.0%	3.9%	3.7%
State-Related Debt Outstanding	$52,751	$52,102	$54,693	$52,555
Debt Outstanding as % Personal Income	4.6%	4.6%	4.6%	4.4%

1 Updated as part of the FY 2017 Executive Budget, as amended.

2 The annual percentage change calculations in the FY 2017 "Executive Amended" column have been updated for FY 2016 results.

3 Annual growth includes planned extraordinary transfer of monetary settlements from the General Fund to other funds.

4 Changes to expected monetary settlement balances since the FY 2017 Executive Budget reflect how DOB had originally planned to execute the majority of DIIF transfers during FY 2016, but now intends to make these transfers on an as-needed basis over the next five years.

* All Funds, Federal Operating Funds and Capital Projects Funds receipts and disbursements exclude (a) Federal disaster aid for Superstorm Sandy and (b) additional Federal aid associated with Federal health care reform. Prior plans included an adjustment for spending funded from monetary settlements with financial institutions.

General Fund Cash Basis Financial Plan

Summary of Preliminary Unaudited Results for FY 2016 (Ended March 31, 2016)

The receipt of monetary settlements has had a dramatic temporary effect on the State's cash position.[2] The following table summarizes the variance between the last FY 2016 update included with the FY 2017 Executive Budget Financial Plan, as amended (the "Executive Budget Financial Plan") (dated February 2016) and year-end results, with and without monetary settlements (beyond the settlement amounts annually budgeted in the General Fund Financial Plan for operating purposes).[3]

FY 2016 GENERAL FUND OPERATING RESULTS
SUMMARY OF CHANGES FROM EXECUTIVE BUDGET
(millions of dollars)

	Revised Plan	Results	Variance
Opening Fund Balance (Excluding Monetary Settlements)	**2,633**	**2,633**	**0**
Receipts	**66,944**	**66,336**	**(608)**
Tax Receipts	63,247	62,581	(666)
Miscellaneous Receipts/Other Non-Tax Revenue[1]	3,697	3,755	58
Spending	**67,183**	**66,335**	**(848)**
Local Assistance	44,153	43,314	(839)
Agency Operations	13,410	13,352	(58)
Transfers to Other Funds	9,620	9,669	49
Net Change in Operations	**(239)**	**1**	**240**
Closing Fund Balance (Excluding Monetary Settlements)	**2,394**	**2,634**	**240**
Monetary Settlements			
Settlements on Hand as of April 1, 2015	4,667	4,667	0
New Settlements Received in FY 2016	3,605	3,605	0
Transfers/Uses	(5,655)	(1,972)	3,683
Closing Fund Balance (Including Monetary Settlements)	**5,011**	**8,934**	**3,923**

[1] Includes $250 million in settlement money budgeted for operating purposes.

As shown in the table above, the State ended FY 2016 with a General Fund cash balance of $8.9 billion, including monetary settlements. The closing balance was $3.9 billion higher than estimated in the Executive Budget Financial Plan. Most of the variance was due to the timing of transfers of monetary settlements from the General Fund to other funds. DOB had previously planned to execute most of those transfers to the State's Dedicated Infrastructure Investment Fund (DIIF) during FY 2016, but now intends to make them on an as-needed basis over the next five years to finance spending from DIIF as it occurs. The FY 2017 Enacted Budget provides transfer authority from the General Fund to DIIF for five years.

[2] The sources and uses of monetary settlements are described in more detail later in this AIS.

[3] Amounts budgeted for General Fund balance totaled $275 million in FY 2015, $250 million in FY 2016, and $102 million in FY 2017.

FY 2016 Year-End Results, Excluding Monetary Settlements

The State ended FY 2016 in balance on a General Fund cash basis, with receipts exceeding disbursements by $1 million. The General Fund closing balance was $240 million higher than estimated in the Executive Budget Financial Plan.

General Fund receipts, including transfers from other funds, totaled $66.3 billion, or $608 million lower than estimated in the Executive Budget Financial Plan. The variance was mainly due to lower business tax collections as a result of payment timing changes and lower than expected audit receipts in the corporate franchise tax, and a modest variance in PIT collections. Miscellaneous receipts and non-tax transfers totaled $3.8 billion, or $58 million higher than expected.

General Fund disbursements, including transfers to other funds, totaled $66.3 billion, a decrease of $848 million from the Executive Budget Financial Plan. The significant variances in local assistance and agency operations are due in large part to the cautious calculation of General Fund expenses. Local assistance disbursements were $839 million below budgeted levels, with lower spending in education, health, local government aid, and other purposes. Disbursements for agency operations, including fringe benefits, were $58 million lower than planned. Transfers to other funds were $49 million higher than budgeted.

In comparison to the Executive Budget Financial Plan, the State paid an additional $197 million in debt service and fringe benefits that were due in FY 2017. The prepayments are reflected in the totals for tax receipts, agency operations, and transfers reported above.

The payment of FY 2017 expenses during FY 2016 totaled $1.6 billion, consisting of approximately $800 million in disbursements and another approximately $800 million in accelerated refund payments to taxpayers, in comparison to the FY 2016 Enacted Budget Financial Plan. The advance payment of FY 2017 debt service expenses during FY 2016 totaled $710 million. The monthly workers' compensation payment for February 2016 liabilities that was planned for April 2016 was also paid ($37 million), and a transfer to the DHBTF was completed to offset the expected loss of FY 2017 highway use tax decal and registration fees ($59 million) that were declared unconstitutional.

The State ended FY 2016 with a General Fund cash balance, excluding monetary settlements, of $2.6 billion. The balance consists of $1.8 billion in the State's rainy day funds, $63 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 and $15 million for costs of labor agreements. The undesignated fund balance is $237 million.

Budget Negotiations and Subsequent Events

During budget negotiations, the Executive and Legislature agreed to $1.2 billion in General Fund additions and restorations to the Executive Budget proposal for FY 2017.[4] The budget agreement included a substantial increase in School Aid above the Executive proposal ($382 million on a State Fiscal Year basis). School Aid is expected to total $24.8 billion in school year (SY) 2017, an annual increase of $1.5 billion (6.5 percent). Other spending additions, totaling $281 million, were approved for a range of purposes, including education, higher education, and human services. (See "Changes to the Executive Budget" herein.)

Significant budgetary savings initiatives, including the realignment of funding shares for the City University of New York (CUNY) and the New York City Medicaid program, were not included in the final budget agreement.[5] As a result, the spending reductions (from the current-services projections) needed to limit spending growth in future fiscal years to 2 percent increased, in comparison to the FY 2017 Executive Budget proposal. In addition, proposals to cap the annual growth in STAR benefits, reform medical malpractice insurance, and calibrate State retiree health benefits with years of service were not approved.

The Enacted Budget authorized new tax reductions that take effect in FY 2018. The most significant of these will reduce marginal personal income tax rates on middle incomes from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent. This tax reduction is estimated to cost $236 million in FY 2018, growing to $1.5 billion in FY 2020, on a cash basis. On a liability basis, the value of the tax reduction is estimated at $4.2 billion, when fully effective in calendar year 2025.

The Enacted Budget authorizes regional, phased in increases to the State's hourly minimum wage. In New York City, the minimum wage will increase to $15 by the end of December 2018 for workers in businesses with more than ten employees, and by the end of December 2019 for workers in businesses with ten or fewer employees. In Nassau, Suffolk and Westchester counties, the minimum wage will increase to $15 at the end of December 2021. For the rest of the State, the minimum wage will increase to $12.50 by the end of December 2020, after which it will continue to increase to a maximum level of $15 on an indexed schedule to be set by the Director of DOB in consultation with the Department of Labor (DOL). Beginning in 2019, the Director of DOB will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary. The Enacted Budget includes funding for salary and related fringe benefit costs associated with minimum wage increases for the State-share of Medicaid-funded and related programs. In FY 2017, this funding covers increases for employees currently making below the hourly minimum wage of $11.00 in New York City, $10.00 in Long Island and Westchester, and $9.70 in the rest of New York.[6]

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

[5] The CUNY proposal in the Executive Budget would have reduced State spending by an estimated $393 million in FY 2017. The Executive Budget recommended setting aside $240 million in savings from the proposal to fund a reserve for the settlement of CUNY collective bargaining agreements.

[6] Scheduled to take effect on December 31, 2016.

In addition to the final outcome of budget negotiations, the Enacted Budget incorporates updated economic forecasts for the U.S. and the State. National economic data are sending mixed signals. General economic indicators, including private-sector employment, wages, and residential investment continue to show steady growth, suggesting a relatively low risk of a recession. However, plant, equipment, and software investment by business continues to be weak, which is likely to dampen the potential strength of the recovery. For New York, the economy continues to perform well, with solid growth in private-sector employment and wages. However, the relatively weak performance of the financial sector is negatively affecting taxable personal income and, by extension, PIT receipts. Tax collections in April were $370 million below the Executive Budget Financial Plan estimate, with most of the variance concentrated in the PIT. As a result of the revisions to taxable income, as well as other factors, DOB has lowered the forecast for General Fund tax receipts by $350 million in comparison to the Executive Budget Financial Plan. DOB will continue to monitor the performance of the financial sector and tax collections in the first quarter, with downward revisions to tax receipts possible in the current year and future years if weakness persists. (See "Financial Plan Projections Fiscal Years 2017 Through 2020" herein.)

The Enacted Budget Financial Plan identifies savings in FY 2017 that DOB estimates will be sufficient to fund the additions and restorations from budget negotiations, as well as to cover the new costs that have emerged. These include: substantially lower-than-budgeted aid claims for school districts and the STAR program; the use of resources accumulated in prior years but not needed to maintain budget balance in those years (e.g., fund balances); the payment of FY 2017 expenses in FY 2016 beyond the level assumed in the Executive Budget Financial Plan; and spending reestimates across a range of programs and activities based on FY 2016 results.

FY 2017 Financial Plan

DOB estimates that the Enacted Budget Financial Plan provides for balanced operations in the General Fund in FY 2017. General Fund disbursements are projected to exceed receipts by $112 million. The difference is funded with $87 million from the FY 2016 undesignated General Fund balance, $15 million from the balance set aside for prior-year labor settlements, and $10 million from the Community Projects Fund.

The following table summarizes the projected annual change from FY 2016 to FY 2017 in General Fund receipts, disbursements, and fund balances, with and without the impact of monetary settlement activity.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Annual Change Dollar	Annual Change Percent
Opening Fund Balance (Excluding Monetary Settlements)	2,633	2,634	1	0.0%
Total Receipts	66,336	68,958	2,622	4.0%
Taxes	62,581	65,117	2,536	4.1%
Miscellaneous Receipts/Federal Grants	2,800	2,795	(5)	-0.2%
Other Transfers	955	1,046	91	9.5%
Total Disbursements	66,335	69,070	2,735	4.1%
Local Assistance Grants	43,314	45,957	2,643	6.1%
Agency Operations	13,352	13,724	372	2.8%
Transfers to Other Funds[1]	9,669	9,389	(280)	-2.9%
Net Change in Operations	1	(112)	(113)	n/a
Closing Fund Balance (Excluding Monetary Settlements)	2,634	2,522	(112)	-4.3%
Monetary Settlements				
Settlements on Hand as of April 1	4,667	6,300		
New Settlements Received in FY 2016	3,605	190		
Transfers/Uses	(1,972)	(2,943)		
Closing Fund Balance (Including Monetary Settlements)	8,934	6,069	(2,865)	-32.1%

[1] Excluded are transfers of monetary settlement receipts from the General Fund to (a) the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $1.3 billion in FY 2017); (b) the mental hygiene account to fund a portion of a Federal disallowance for the Office for People with Developmental Disabilities (OPWDD) ($850 million in FY 2016); (c) the Environmental Protection Fund ($120 million in FY 2017); and (d) the temporary use of settlement funds to make cash advances for certain capital programs in FY 2017 ($1.3 billion).

As shown in the table above, the State expects to end FY 2017 with a General Fund cash balance of $6.1 billion, a decrease of $2.9 billion from FY 2016. As in FY 2016, the decline is due to the change in monetary settlements on hand. DOB intends to make transfers of monetary settlements on an as-needed basis over the next five years as spending occurs. Legislation included with the FY 2017 Enacted Budget provides transfer authority from the General Fund to DIIF for five years.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total $69 billion in FY 2017, an increase of $2.6 billion (4 percent) from FY 2016 results. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $65.1 billion in FY 2017, an increase of $2.5 billion (4.1 percent) from FY 2016 results.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $44.8 billion, an increase of $2.7 billion (6.3 percent) from FY 2016 results. This primarily reflects increases in withholding and estimated payments attributable to the 2016 tax year, and the acceleration of tax refund payments from FY 2017 into FY 2016.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $12.6 billion in FY 2017, an increase of $296 million (2.4 percent) from FY 2016 results, reflecting projected growth in taxable consumption.

General Fund business tax receipts are estimated at $5.8 billion in FY 2017, an increase of $103 million (1.8 percent) from FY 2016 results. The annual estimate reflects increased bank tax receipts stemming from a reduced number of prior period adjustments, slightly offset by declines across all other statutorily imposed business tax components.

Other tax receipts in the General Fund are expected to total $2.0 billion in FY 2017, a decrease of $516 million (20.5 percent) from FY 2016 results. This primarily reflects an extraordinary level of estate tax and real estate transfer tax collections in FY 2016 that are not expected to recur.

General Fund non-tax receipts and transfers are estimated at $3.8 billion in FY 2017, an increase of $86 million from FY 2016 results. The increase is primarily due to transfers from a variety of accounts that have accumulated resources 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 between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2017 Through 2020” herein.

Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total $69.1 billion in FY 2017, an increase of $2.7 billion (4.1 percent) from FY 2016[7]. Local assistance grants are expected to total $46 billion in FY 2017, an increase of $2.6 billion (6.1 percent) from FY 2016, including $968 million for School Aid (on a State fiscal year basis), $547 million for Medicaid and the Essential Plan (EP), and $242 million for education programs outside of School Aid. Other increases reflect anticipated payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between Financial Plan categories and across fund types.

Disbursements for agency operations, including fringe benefits and fixed costs, in the General Fund are expected to total $13.7 billion in FY 2017, an annual increase of $372 million (2.8 percent). Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the Department of Health (DOH) to operate the New York State of Health (NYSOH) health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. In addition, operating costs for many agencies are charged to several funds, as well as affected by offsets and accounting reclassifications.

General Fund transfers to other funds are estimated to total $9.4 billion in FY 2017, a decrease of $280 million from FY 2016. This change is comprised mainly of a lower level of transfers for debt service, which is primarily due to FY 2016 payments of FY 2017 expenses.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see “State Financial Plan Projections Fiscal Years 2017 Through 2020” herein.

[7] Note that the State continues to adhere to a 2 percent annual growth in spending benchmark on a State Operating Funds basis.

Closing Balance for FY 2017

DOB projects that the State will end FY 2017 with a General Fund cash balance of $6.1 billion, a decrease of $2.9 billion from FY 2016. The balance from monetary settlements is expected to total $3.6 billion, a decrease of $2.7 billion from FY 2016. The decrease reflects the timing of planned transfers to other funds from which monetary settlements will be spent. The balance, excluding settlements, is estimated to be $2.5 billion, or $112 million lower than FY 2016. The decline reflects use of Community Projects Fund resources ($10 million) to support estimated spending and the use of resources carried forward from FY 2016 ($102 million).[8]

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to remain unchanged in FY 2017.

The Enacted Budget Financial Plan maintains a reserve of $500 million for debt management purposes in FY 2017, unchanged from the level held at the end of FY 2016. DOB will decide on the use of these funds based on market conditions, Financial Plan needs, and other factors.

TOTAL BALANCES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	**8,934**	**6,069**	**(2,865)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	63	53	(10)
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements Prior to FY 2017	15	150	135
Monetary Settlements	6,300	3,547	(2,753)
Programmed	5,755	2,882	(2,873)
Unbudgeted	545	665	120
Undesignated Fund Balance	237	0	(237)

[8] The undesignated fund balance carried forward from FY 2016 totaled $237 million, of which $150 million is now reserved for potential costs of prior year labor agreements and the remaining $87 million planned for use in FY 2017.

FY 2017 Detailed Gap-Closing Plan

The following table and narrative provide a summary of the enacted gap-closing plan.

FY 2017 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(1,781)**	**(2,802)**	**(4,414)**	**(4,205)**
SPENDING CHANGES	**2,143**	**695**	**231**	**(477)**
Agency Operations	**340**	**44**	**(72)**	**(488)**
Executive Agency Operations	168	70	97	33
Fringe Benefits/Fixed Costs	193	(11)	(154)	(506)
University Systems/Independent Officials	(21)	(15)	(15)	(15)
Local Assistance	**1,793**	**1,459**	**1,451**	**1,538**
Higher Education	49	51	49	38
Mental Hygiene	174	90	16	(54)
Health Care	287	201	154	174
STAR *	184	477	575	670
Human Services/Housing	150	74	71	60
Updated Aid Claims	576	407	459	464
All Other	373	159	127	186
Debt Management	**723**	**367**	**243**	**304**
Capital Projects	**72**	**(13)**	**85**	**(11)**
Initiatives/Investments	**(785)**	**(1,162)**	**(1,476)**	**(1,820)**
School Aid	(382)	(587)	(612)	(640)
Education/Higher Education	(132)	(128)	(113)	(83)
Minimum Wage Increase	(19)	(126)	(355)	(588)
SUNY/CUNY Performance Incentive Program	0	(30)	(30)	(30)
Charter School Funding	0	(27)	(27)	(27)
All Other	(252)	(264)	(339)	(452)
RESOURCE CHANGES	**(362)**	**(220)**	**(106)**	**(572)**
Tax Revisions	(579)	(44)	164	100
Federal DSHP Resources	(250)	0	0	0
STARC Debt Refunding Savings	200	200	200	0
STAR Conversion*	(98)	(281)	(574)	(671)
All Other	365	(95)	104	(1)
TAX ACTIONS	**0**	**(274)**	**(1,186)**	**(1,643)**
Middle Class Tax Cuts	0	(236)	(1,071)	(1,504)
Other Tax Extenders/Credits	0	(38)	(115)	(139)
ADHERENCE TO 2% SPENDING BENCHMARK [2]	**n/a**	**2,956**	**4,634**	**6,498**
ENACTED BUDGET SURPLUS/(GAP)	**0**	**355**	**(841)**	**(399)**

1 State Fiscal Year 2016 Mid-Year Update, dated November 2015.

2 Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2017 projections). The Governor is expected to propose, and negotiate with the Legislature to enact, an annual budget that restricts 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. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

* Converting the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners. See "STAR Program" in "Financial Plan Projections Fiscal Years 2017 through 2020" herein.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service (NPS) costs (e.g., supplies, utilities). Redesign and cost-control efforts are expected to continue to reduce spending compared to current service projections. Reductions from the prior projections for agency operations, included with the FY 2017 Executive Budget, contribute $340 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** Compared to the current service projections, savings are due to holding most agency operating budgets at a constant level across the Financial Plan period; the continued transition of individuals from mental hygiene institutions to appropriate community settings; and the alignment of certain operating and equipment costs with capital and Federal financing sources. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including the utilization of a management system known as "Lean" which applies a series of principles to streamline operations and management.

  On a State Operating Funds basis, and excluding the 27th institutional payroll in FY 2016 and certain repayments to the New York Power Authority (NYPA), Executive agency operational costs are expected to total $10.0 billion in FY 2017, slightly lower than FY 2016. In FY 2018 and beyond, spending is expected to increase by $60 million to $80 million annually. Agencies with growth include DOH, reflecting the NYSOH benefit exchange and the new EP program; Corrections; State Police; Gaming; Office of Mental Health (OMH); Office for People with Developmental Disabilities (OPWDD); and Office for Children and Family Services (OCFS).

- **Fringe Benefits/Fixed Costs:** Estimates for fringe benefits and fixed costs have been lowered to reflect the payment of the FY 2017 Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS) pension bill in April 2016 rather than on the March 1, 2017 due date. In addition, resources are expected to be provided directly to the State Insurance Fund (SIF) to offset the State's cost for workers' compensation claims over the next four years ($140 million in FY 2017; $100 million in both FY 2018 and 2019, and $35 million in FY 2020). Increasing fringe benefit costs associated with updated baseline growth in health insurance rate renewals and workers' compensation costs offset these savings in future years.

- **University Systems:** Spending on the State University of New York (SUNY) operations will be reduced through the discontinuation of previous legislative additions.

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 $1.8 billion in General Fund savings.[9] Savings are expected from both targeted actions and continuation of prior-year cost containment. Specifically:

- **Higher Education:** Savings include revisions to scholarship awards due to updates in both enrollment patterns and average award amounts.

- **Mental Hygiene:** The spending has been reduced to reflect revised timelines for ongoing transformation efforts in the mental hygiene system, and the Federal government's extension of the timeframe to disburse funding from the Balancing Incentive Program (BIP).

- **Health Care:** Spending estimates have been reduced for the Child Health Plus (CHP) program as a result of Federal funding under the ACA. Savings also reflect additional HCRA resources that lower General Fund spending. Furthermore, additional means to offset costs under the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative authorized in the FY 2017 Enacted Budget. This voluntary initiative permits DOH and local social service districts to formulate a joint plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide Financial Plan savings.

- **STAR:** The Enacted Budget Financial Plan reflects the gradual transformation of the STAR benefit to a refundable PIT credit. While the new credit becomes effective in the 2016 tax year, the change only applies to new housing transactions, i.e., new homebuyers, and homeowners who move.[10] This transformation reduces State spending and more appropriately reflects the program costs as a tax expenditure, which is the current basis of the program, and provides more transparency regarding school tax levy growth. In addition, the New York City PIT STAR credit will be converted to a New York State PIT STAR credit, a simple reporting change that eliminates the need to reimburse costs paid by the City.

- **Human Services:** Savings reflect the use of Temporary Assistance to Needy Families (TANF) funding sources to reduce OCFS Child Care General Fund spending. They also reflect a one-time revision to the Pay For Success program based on timing, and updated spending forecasts in several programs, including OCFS spending on detention reconciliation, the Committee on Special Education, and Medicaid-related foster care spending. These savings are partially offset by revised costs for public assistance, based on an update to DOB's caseload models as well as spending in the Bridges to Health program and the reinvestment of State savings gained from Federal rule changes in post-

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

[10] Transforming the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners.

adoption and primary preventive services. This reinvestment is required in order to continue Federal provision of Title IV-E funds.

- **Updated Aid Claims:** Savings are expected due to updated claims for expense-based aid programs submitted by school districts and the STAR program, including claims for transportation, building aid and special education.

- **All Other:** Savings are expected from additional lottery/Video Lottery Terminal (VLT) receipts available to fund School Aid; use of available Mortgage Insurance Fund (MIF) resources to fund initiatives addressing housing and homelessness programs; special education programs and grant spending based on updated information; funding certain local government programs with available resources earmarked for municipal restructuring; and spending revisions based on utilization trends in other local assistance programs.

Debt Management

Savings reflect the prepayment of $710 million of FY 2017 expenses in FY 2016 and $60 million of FY 2018 expenses in FY 2017, as well as expected refundings, continued use of competitive bond sales, and other debt management resources.

Capital Projects

General Fund support for capital projects is lower due to the use of accumulated resources, such as the use of available bond proceeds, and as a result of lower than anticipated capital spending.

Initiatives/Investments

During budget negotiations, the Executive and Legislature agreed to $663 million in new spending additions beyond the Executive Budget proposal. (See “Changes to the Executive Budget” herein.)

The Enacted Budget includes the Executive-recommended spending increases for SUNY State-operated campuses and CUNY senior colleges; charter school tuition; homelessness, poverty reduction; the State subsidy to maintain Verrazano Bridge toll levels; victim services; upstate transit infrastructure; violence prevention; and aging. It also reflects debt service costs for new capital initiatives to be funded with bonds.

Resource Changes

- **Tax Revisions:** The estimate for annual tax receipts has been revised to reflect the updated forecast for the U.S. and State economies and results to date. In addition, the reconciliation of prior year tax collections from mobile telecommunication services companies is expected to reduce sales tax collections.

- **Federal Designated State Health Program (DSHP) Resources:** FY 2017 resources have been reduced by $250 million to remove previously expected Federal DSHP revenue to support transformational changes in the Mental Hygiene service delivery system while the State pursues the matter with the Centers for Medicare & Medicaid Services (CMS).

- **Sales Tax Asset Receivable Corporation (STARC) Debt Refunding Savings**: The Enacted Budget includes a provision that permits the State to realize refunding savings on debt funded exclusively with State resources. In 2004, STARC issued $2.6 billion in debt (STARC bonds) to refinance certain obligations related to the New York City fiscal crisis. The STARC bonds are secured by $170 million in annual State sales tax payments to STARC through 2034. In October 2014, STARC refunded the STARC bonds, generating about $650 million in debt service savings that, due to structuring provisions, accrued to New York City. Given the unique structure of the STARC bonds, the State will recoup the savings on the refunding of the STARC bonds over the next three State fiscal years through the adjustment of sales tax receipts otherwise payable to New York City.

- **STAR Program Conversion:** The conversion of the NYC PIT STAR credit to a State credit, and the conversion of the STAR benefit to a tax credit for new and relocated homeowners, will result in lower General Fund tax collections in upcoming fiscal years. There will be no impact on the level of benefits for taxpayers covered by the change.

- **Other Resource Changes:** Other changes include updated estimates of various miscellaneous receipts and accumulated transfers from other funds, including revenue transfers from the collection of franchise operator fees for gaming facilities, Federal health care reimbursements, and NYPA to support annual energy-related program activity, with no additional contributions expected.

Tax Actions

- **Middle Class Tax Cuts:** Effective in FY 2018, the Enacted Budget provides reduced personal income tax rates over the course of eight years for New York's middle-income families and small businesses. When fully phased-in, the range of marginal tax rates on middle incomes will be reduced from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent, providing annual savings of $4.2 billion for 6 million middle-class taxpayers when fully phased in 2025. Without this legislation, these taxpayers would have faced an increased marginal tax rate of 6.85 percent after the end of tax year 2017. The cost of this tax law change grows from $236 million in FY 2018 to $1.5 billion in FY 2020, on a cash basis.

- **Other Tax Extenders/Credits:** Other significant tax actions include enhancing the Urban Youth Jobs Program Tax Credit and the extension of other tax credits.

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 2017	FY 2018	FY 2019	FY 2020
RESTORATIONS/ADDITIONS TO EXECUTIVE PLAN	**(1,181)**	**(1,929)**	**(1,804)**	**(2,168)**
New Spending Adds:	(663)	(732)	(743)	(741)
School Aid	(382)	(587)	(612)	(640)
Other Education Aid	(78)	(91)	(87)	(57)
Higher Education	(54)	(36)	(26)	(26)
Human Services/Labor	(64)	0	0	0
All Other	(85)	(18)	(18)	(18)
Restorations/Modifications:	(518)	(1,197)	(1,061)	(1,427)
CUNY Financing Parity	(153)	(505)	(516)	(529)
NYC Medicaid Growth Takeover	(180)	(476)	(589)	(705)
STAR Benefit Conversion to Tax Credit (Modified)	(98)	(96)	(96)	(95)
STAR Exemption Cap/Mandatory Income Verification	(56)	(117)	(173)	(229)
Retiree Health Insurance	(10)	(20)	(30)	(41)
Excess Medical Malpractice	0	(25)	(25)	(25)
Debt Service Cost of Capital Adds	0	(107)	(137)	(178)
Other Restorations/Modifications/Rejected Initiatives	(21)	149	505	375
TAX LAW REVISIONS TO EXECUTIVE PLAN	**(17)**	**161**	**(539)**	**(987)**
Not Accepted:	0	411	561	562
Small Business Taxes Rate Reduction	0	298	298	298
Education Tax Credit	0	0	150	150
Thruway Toll Credit	0	113	113	114
Modified/New:	(17)	(250)	(1,100)	(1,549)
Middle Class Income Tax Cut	0	(236)	(1,071)	(1,504)
Farmer Wage Credit	0	0	(15)	(18)
All Other	(17)	(14)	(14)	(27)
TAX RECEIPTS REVISIONS	**(350)**	**0**	**0**	**0**
ADDITIONAL/NEW COSTS	**(39)**	**(162)**	**(394)**	**(629)**
Public Assistance Caseload Increase	(20)	(36)	(39)	(41)
Minimum Wage Increase	(19)	(126)	(355)	(588)
AVAILABLE RESOURCES	**1,587**	**450**	**391**	**537**
Updated Local Claims	576	407	459	464
Accumulated Transfers	300	0	0	0
FY 2016 Prepayments/Advances	256	0	0	0
All Other Revisions	455	43	(68)	73
NET SAVINGS/(COSTS)[1]	**0**	**(1,480)**	**(2,346)**	**(3,247)**

[1] Before savings estimated from limiting annual growth in future years to 2 percent.

During budget negotiations, the Executive and Legislature agreed to $1.2 billion in General Fund additions and restorations to the FY 2017 Executive Budget proposal.

The Executive and Legislature also reached agreement on the restoration of certain proposed tax law changes included in the Executive Budget, as well as modifications and new tax law changes, including a middle class personal income tax cut and a farm wage credit. In addition, receipts have been revised downward in all years to reflect updated economic forecasts.

The Enacted Budget reflects revised costs for public assistance, based on an update to DOB's caseload models. It also includes funding to support salary and related fringe benefit costs associated with minimum wage increases for Medicaid-funded and related programs.

The Enacted Budget Financial Plan identifies resources in FY 2017 that DOB estimates will be sufficient to fund the additions and restorations from budget negotiations, as well as to cover the new costs that have emerged. The resources include:

- Updated local claims for expense-based aid programs for school districts and for the STAR program ($576 million), including claims for transportation, building aid and special education. Expense-based aids are subject to quarterly updating and fluctuate unpredictably.

- Certain transfers to the General Fund and other financing sources that were initially expected in FY 2016 are now scheduled to be available in FY 2017, including an adjustment to transfers supporting capital projects spending to reflect the use of accumulated resources, such as available bond proceeds ($50 million); franchise fees for the operation of gaming facilities to offset education spending ($137 million); Federal health care reimbursements ($61 million); and youth facility reimbursements ($13 million).

- Cost reestimates permitted the State to make additional prepayments of FY 2017 expenses ($256 million).

- Other changes include revisions to projected spending across multiple programs based on operating results for FY 2016, and other management actions, as well as the use of $87 million in undesignated funds.

The table below summarizes the changes to the FY 2017 Executive Budget Financial Plan that impact State Operating Funds spending.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN STATE OPERATING FUNDS SPENDING (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020
EXECUTIVE BUDGET PROPOSAL	**95,898**	**99,741**	**103,287**	**106,629**
RESTORATIONS/ADDITIONS TO EXECUTIVE PLAN	**1,345**	**1,834**	**1,709**	**2,074**
New Spending Adds:	663	732	743	741
School Aid	382	587	612	640
All Other	281	145	131	101
Restorations/Modifications:	682	1,102	966	1,333
CUNY Financing Parity	393	505	516	529
NYC Medicaid Growth Takeover	180	476	589	705
STAR Exemption Cap/Mandatory Income Verification	56	117	173	229
Retiree Health Insurance Savings	10	20	30	41
Excess Medical Malpractice	10	25	25	25
Debt Service Cost of Capital Adds	0	107	137	178
Other Restorations/Modifications/Rejected Initiatives	33	(148)	(504)	(374)
ADDITIONAL/NEW COSTS	**89**	**218**	**450**	**686**
State Police/Thruway Reclassification	50	56	56	57
Public Assistance Caseload Increase	20	36	39	41
Minimum Wage Increase	19	126	355	588
AVAILABLE RESOURCES	**(1,152)**	**(734)**	**(746)**	**(824)**
Updated Local Claims	(576)	(407)	(459)	(464)
Debt Service Savings	(100)	0	0	0
FY 16 Prepayment/Advances	(197)	0	0	0
Capital Staff to Capital Funds (Mental Hygiene)	(82)	(83)	(84)	(85)
Transit Receipts Revision	(18)	(17)	(21)	(25)
All Other Revisions	(179)	(227)	(182)	(250)
ENACTED BUDGET SPENDING [1]	**96,180**	**101,059**	**104,700**	**108,565**

[1] Before savings estimated from limiting annual growth in future years to 2 percent.

In addition to the General Fund changes described above, other significant new costs and available resources that impact spending include the restatement of spending for State Police services on the New York State Thruway ($50 million); reclassification of mental hygiene personnel and fringe benefit expenses, related to the maintenance and preservation of State assets, to capital projects funds ($82 million); and revised transit aid spending based on the updated receipts forecast.

The Enacted Budget Financial Plan sets aside a portion of the General Fund balance to fund the estimated FY 2017 cost of the PEF agreement. On June 7, 2016, the agreement was ratified by the PEF membership and subsequently, a pay bill was passed by the Legislature.[11] Spending is expected to increase by approximately $146 million in FY 2017 (covering FY 2016 and FY 2017) and $74 million annually thereafter.

[11] New York State legislative bill number S08070 / A10653.

Cash Flow

The State 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 2017 to make all planned payments as they become due. 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 2017
(millions of dollars)

	General Fund	Other Funds	All Funds
April	10,864	3,316	14,180
May	7,460	4,354	11,814
June	8,186	4,928	13,114
July	7,836	5,364	13,200
August	7,187	5,418	12,605
September	10,815	3,339	14,154
October	9,626	3,384	13,010
November	7,607	2,912	10,519
December	10,722	3,178	13,900
January	11,734	4,903	16,637
February	11,696	4,655	16,351
March	6,069	2,516	8,585

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $8.7 billion in monetary settlements with financial institutions. The following table lists the settlements by firm and amount.

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

	FY 2015	FY 2016	FY 2017	Total
Monetary Settlements	**4,942**	**3,605**	**183**	**8,730**
BNP Paribas	2,243	1,348	0	3,591
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	0	800
Credit Suisse AG	715	30	0	745
Commerzbank	610	82	0	692
Barclays	0	670	0	670
Credit Agricole	0	459	0	459
Bank of Tokyo Mitsubishi	315	0	0	315
Bank of America	300	0	0	300
Standard Chartered Bank	300	0	0	300
Goldman Sachs	0	50	190	240
Morgan Stanley	0	150	0	150
Bank Leumi	130	0	0	130
Ocwen Financial	100	0	0	100
Citigroup (State Share)	92	0	0	92
MetLife Parties	50	0	0	50
American International Group, Inc.	35	0	0	35
PricewaterhouseCoopers	25	0	0	25
AXA Equitable Life Insurance Company	20	0	0	20
Promontory	0	15	0	15
New Day	0	1	0	1
Other Settlements	7	0	(7)	0

Uses of Monetary Settlements

The Financial Plan reflects the Executive's intention to continue applying the majority of the settlement resources to fund capital investments and nonrecurring expenditures. The Enacted Budget authorized the transfer of monetary settlement funds over a five-year period to DIIF to finance various appropriated purposes ($6.4 billion), as well as $120 million to the Environmental Protection Fund (EPF).

As reflected in the table below, other uses include $850 million to resolve Federal OPWDD disallowances in FY 2016. A portion of the monetary settlements is used to support General Fund operations, as previously planned, as well as operational costs of the Department of Law's Litigation Services Bureau.

DOB expects to use monetary settlement resources to fund projects and activities over several years, allowing the State to carry a large, by historical standards, cash balance available in FY 2017 and FY 2018. The State plans to use these resources to make cash advances for certain capital programs in FY 2017 ($1.3 billion) and FY 2018 ($500 million). The cash advances are expected to be reimbursed fully with bond proceeds by the end of FY 2019. These bond-financed programs include higher education, economic development, and transportation programs.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS
(millions of dollars)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**3,547**	**2,646**	**1,446**	**714**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**183**	**0**	**0**	**0**	**0**	**8,730**
Use/Transfer of Funds	**275**	**1,972**	**2,936**	**901**	**1,200**	**732**	**49**	**8,065**
Capital Projects Fund:								
Transfer to Dedicated Infrastructure Investment Fund	0	857	1,351	1,701	1,700	732	49	6,390
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	120
Transfer to/(from) Capital Projects Fund	0	0	1,300	(800)	(500)	0	0	0
Other Purposes:								
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	627
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	5
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**3,547**	**2,646**	**1,446**	**714**	**665**	**665**

The following purposes will be funded with $6.5 billion of monetary settlement collections from capital appropriations[12]:

[12] The funding of $6.5 billion is reflected in the multi-year totals for transfers to the Dedicated Infrastructure Investment Fund ($6.39 billion) and the Environmental Protection Fund ($120 million).

Thruway Stabilization ($2.0 billion): The Enacted Budget continues to invest in Thruway infrastructure adding $700 million to last year's commitment of $1.3 billion. The investment will support both the New NY Bridge project and other transportation infrastructure needs for the rest of the Thruway system.

Upstate Revitalization Program ($1.7 billion): Funding for the Upstate Revitalization Initiative (URI). In 2015, $1.5 billion was awarded to the three Upstate regions selected as URI best plan awardees. The Enacted Budget includes an additional $200 million ($170 million from monetary settlements) to support projects in the remaining four eligible Upstate regions.

Affordable and Homeless Housing ($640 million): The Enacted Budget supports a multi-year investment in affordable housing services, and provides housing opportunities for individuals and families who are homeless or at risk of homelessness. Funds will be invested over the next five years to create new housing opportunities for individuals and families in need of supportive services, as well as to assist vulnerable populations in securing stable housing.

Broadband Initiative ($500 million): Funding is included in the Enacted Budget for the New NY Broadband Fund Program to expand the availability and capacity of broadband across the State, or development of other telecommunication infrastructure. This program is intended to expand the creation of high-speed networks and promote broadband adoption.

Health Care/Hospitals ($400 million): The Enacted Budget provides $355 million in grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities, to create a financially sustainable system of care intended to promote a patient-centered model of health care delivery. An essential health care provider is a hospital or hospital system that offers health services in a region deemed by the Health Commissioner to be underserved. Funding may be used to restructure debt obligations or fund capital improvements to facilitate mergers and consolidations of hospitals in rural communities. The Plan also funds capital expenses of the Roswell Park Cancer Institute ($15.5 million); a community health care revolving loan ($19.5 million); and IT and other infrastructure costs associated with the inclusion of behavioral health services in the Medicaid Managed Care benefit package ($10 million).

Penn Station Access ($250 million): The Metropolitan Transportation Authority (MTA) Penn Station Access project, which will open a new Metro-North link directly into Penn Station, is expected to provide enhanced system resiliency, improvement in regional mobility, and construction of four new Metro-North stations in the Bronx.

Transportation Capital Plan ($200 million): The Enacted Budget allocates funds to transportation infrastructure projects across the State.

Municipal Restructuring and Consolidation Competition ($170 million): The Enacted Budget includes $20 million in funding for a new Municipal Consolidation Competition to encourage the reduction of costs through a competitive process to be administered by the Department of State (DOS). This funding is in addition to $150 million allocated last year to assist and encourage local governments and school districts to implement shared services, cooperation agreements, mergers, and other actions that permanently reduce operational costs and property tax burdens.

Resiliency, Mitigation, Security, and Emergency Response ($150 million): The Enacted Budget Financial Plan funds preparedness and response efforts related to severe weather events, as well as efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.

Transformative Economic Development Projects ($150 million): The Enacted Budget includes funds for investment that are intended to catalyze private investment, spurring significant economic development and job creation to help strengthen the economies in the communities in Nassau and Suffolk counties.

Infrastructure Improvements ($115 million): Funding is included in the Enacted Budget for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other projects.

Economic Development ($85 million): The Enacted Budget continues funding the economic development strategy of creating jobs, strengthening and diversifying economies, and generating economic opportunities across the State, including investments in infrastructure.

Southern Tier/Hudson Valley Farm Initiative ($50 million): Funding is included in the Enacted Budget to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.

Empire State Poverty Reduction Initiative (ESPRI) ($25 million): To combat poverty throughout the State, the Enacted Budget includes $25 million for the ESPRI. This program will bring together State and local government, nonprofits, and community groups to design and implement coordinated solutions for addressing poverty in 16 municipalities: Albany, Binghamton, the Bronx, Buffalo, Elmira, Hempstead, Jamestown, Newburgh, Niagara Falls, Oneonta, Oswego, Rochester, Syracuse, Troy, Utica, and Watertown.

Environmental Protection Fund (EPF) ($120 million): The Enacted Budget directs monetary settlement resources to the EPF. These and other EPF resources would provide dedicated funding to communities throughout New York State to improve the environment, combat climate change, and reduce greenhouse gas emissions.

Monetary settlement resources will be used as an advance temporarily to: (i) meet initial funding requirements for the Javits expansion project and (ii) support $1.3 billion of bond-financed capital disbursements. The table below shows the schedule for these temporary uses.

TEMPORARY USE OF MONETARY SETTLEMENTS FOR CAPITAL PROJECTS FUNDS
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Total Settlement Funds Replenished/(Used)	**(1,300)**	**640**	**150**	**180**	**330**	**0**
Transfer to DIIF for Javits Center Expansion	0	(160)	(350)	(320)	(170)	(1,000)
Bond Proceed Receipts for Javits Center Expansion	0	0	0	500	500	1,000
Management of Debt Issuances	(1,300)	800	500	0	0	0

Javits Expansion: Spending for the Javits expansion will be supported by settlement funds in the first instance, beginning in FY 2018. Subsequently, these expenses will be reimbursed by proceeds from bonds that are planned to be issued in FYs 2020 and 2021.

Management of Debt Issuances: A total of $1.3 billion of capital spending for higher education, transportation and economic development will be funded initially from the settlement fund balances set aside in the General Fund. These funds will be made available for the projects appropriated from DIIF when the State reimburses the $1.3 billion of spending with bond proceeds anticipated in FY 2018 ($800 million) and FY 2019 ($500 million). As a result of these reimbursements, it is anticipated that transfers from the General Fund to support the Capital Projects Fund will be lower in FYs 2018 and 2019 by $800 million and $500 million, respectively.

Other Matters Affecting the Financial Plan

General

The State's 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 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 fiscal years, assisting in 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 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.

Among other factors, the 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 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 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; 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 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, the budgets enacted for FYs 2014 through 2017 authorized spending for School Aid to increase above personal income growth that would otherwise be used to calculate the school year increases. The FY 2017 Enacted Budget includes a 6.5 percent School Aid increase, compared to personal income indexed rate of 3.9 percent.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the current Financial Plan. Over the past five years, DOH State Funds Medicaid spending levels have been maintained at or below indexed levels. 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 forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of miscellaneous revenues at the levels expected in the 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 Financial Plan in current or future years.

In developing the Financial Plan, DOB attempts to mitigate the financial risks from volatility, litigation, and unexpected costs, with a particular emphasis on the General Fund. It does this by, among other things, calculating total General Fund disbursements cautiously (i.e., to a level they are unlikely to reach) 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 the tools available to mitigate risks are 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 address response to, and recovery from, severe weather events and other disasters. Despite modest legislative adjustments to the budgetary caps contained in the Budget Control Act of 2011, the possibility for a reduction in Federal support is elevated so long as the caps remain in place. Any reduction in Federal funding levels could have a materially adverse impact on the Financial Plan. In addition, the Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

Medicaid Redesign Team (MRT) Medicaid Waiver

The Federal 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 Affordable Care Act (ACA), New York 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 extending through March 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 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.

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

The "Cadillac Tax" is a 40 percent excise tax to be assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The tax was passed into law in 2010 as a component of the Federal ACA. That law was amended in December 2015 to delay the effective date of the tax from calendar year 2018 to calendar year 2020. Final guidance from the Internal Revenue Service is pending. DOB has no current estimate as to the potential financial impact on the State from this Federal excise tax.

Current Labor Negotiations (Current Contract Period)

The State has reached multi-year collective bargaining agreements beyond FY 2016 with two unions -- the State Police Troopers and Commissioned and Noncommissioned Officers – both represented by the Police Benevolent Association of the New York State Troopers (NYSPBA). These agreements provided members with a 2 percent general salary increase at the start of FY 2015 and FY 2016, respectively, and a 1.5 percent general salary increase that will commence at the start of FY 2017 and FY 2018, respectively. The State is in active negotiations with all other employee unions.

The State recently reached a one-year retroactive labor agreement, and a pay bill was passed by the Legislature, to provide a 2 percent annual salary increase to members of the New York State Public Employees Federation (PEF) for the period April 1, 2015 through March 31, 2016. This agreement brings PEF in line with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose last salary increase occurred at the end of FY 2015, and with the New York State Police Investigators Association, whose last salary increase occurred at the end of FY 2011.

The State is prepared to negotiate fiscally responsible successor agreements with all of these unions. The State Operating Funds cost of providing a 1 percent general salary increase effective in FY 2017 for PEF, PBANYS, CSEA, UUP, NYSCOPBA, Council 82, DC-37 Housing and GSEU and unrepresented management/confidential (M/C) employees is approximately $131 million annually.

Pension Amortization[13]

Background

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.

In FY 2016, the State made a total pension payment to the New York State and Local Retirement System (NYSLRS) of $1.7 billion, and amortized $296.7 million (the maximum amount allowable). In addition, the State's Office of Court Administration (OCA) made a total pension payment of $263.6 million, and amortized $59.5 million (the maximum amount legally allowable). The total deferred amount of the FY 2016 pension payment — $356.2 million — will be repaid with interest over the next ten years, with the final payment being made in FY 2026.

The State is required to begin repayment on each new amortization in the fiscal year immediately following the year in which the deferral was made. The full amount of each amortization, with interest, must be repaid within ten years, but the amount can be paid off sooner. The annual interest rate on each new amortization is determined by OSC, and is fixed for the entire term of the deferral. Legislation included in the FY 2017 Enacted Budget authorizes the State to prepay annual installments of principal associated with an amortization, prior to the expiration of the amortization repayment schedule, and thus only be required to make the related interest payments during the subsequent fiscal years associated with such prepayments. This option does not allow the State to extend the ten-year repayment schedule, nor does it allow for the interest rate initially applied to the amortization amount to be modified.

For amounts amortized in FY 2011 through FY 2016, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent and 3.21 percent, respectively. The normal annual employer contribution to the NYSLRS is based on rates established by the NYSLRS Actuary using the annual fund valuation and actuarially prescribed policies and procedures. Employer contribution rates are established for both ERS and PFRS. These rates are then applied to the State-employee salary base for each respective employee group. The State's normal annual contribution is the total bill, excluding payments for deficiency, group life, previous amortizations, incentive costs, administrative costs, and prior-year adjustments.

The amortization rates (i.e., the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to 1 percentage point per year. When the average normal rate is more than 1 percentage point greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal

[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.

average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percentage point greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates. The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Financial Plan no longer assumes amortization of State and OCA pension costs beyond FY 2016.

For both the ERS and the PFRS, the following table provides: i) system average normal rates; and ii) amortization (graded) rates.

Fiscal Year (FY)	New York State Employees' Retirement System (ERS)		New York State Police and Fire Retirement System (PFRS)	
	Normal Rates (GLIP Portion)[1]	Graded Rates (does not apply to GLIP)	Normal Rates (GLIP Portion)	Graded Rates (does not apply to GLIP)
FY 2011	11.9 (0.4)	9.5	18.2 (0.1)	17.5
FY 2012	16.3 (0.4)	10.5	21.6 (0.0)	18.5
FY 2013	18.9 (0.4)	11.5	25.8 (0.1)	19.5
FY 2014	20.9 (0.4)	12.5	28.9 (0.0)	20.5
FY 2015	20.1 (0.4)	13.5	27.6 (0.1)	21.5
FY 2016	18.2 (0.5)	14.5	24.7 (0.0)	22.5
FY 2017	15.5 (0.4)	15.1	24.3 (0.0)	23.5

[1] Group Life Insurance Plan (GLIP) portion reflected in parenthesis along with normal rates.

Outyear Projections

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 (ERS and PFRS) 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. Factoring in these and other assumptions, the average contribution rate for ERS will decrease from 18.2 percent of payroll to 15.5 percent, or about 15 percent, while the average contribution rate for PFRS will decrease from 24.7 percent of payroll to 24.3 percent, or approximately 2 percent.

The FY 2017 ERS/PFRS pension payment estimate of $2.1 billion incorporates the most recent estimate prepared by OSC as of April 2016. This includes payment of prior amortizations totaling $432 million and additional interest savings by paying the non-Judiciary and Judiciary pension bills in April 2016. Total payment estimates include both the non-Judiciary and Judiciary components, and reflects payment of the entire pension bill, with no additional amortization.

The following tables provide aggregate pension costs across all the various systems associated with State employees: i) ERS for both the Executive branch and Judiciary; ii) PFRS for the Executive; iii) Teachers' Retirement System (TRS) for both SUNY and the State Education Department (SED); iv) Optional Retirement Program (ORP) for both SUNY and SED; and v) NYS Voluntary Defined Contribution Plan (VDC). Amortization (graded) rates, deferrals and repayments are provided for ERS (Executive and Judiciary) and PFRS (Executive).

STATE PENSION COSTS AND AMORTIZATION SAVINGS
(millions of dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
AMORTIZATION THRESHOLDS (Graded Rate)					
ERS (%)	9.5	10.5	11.5	12.5	13.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5
STATEWIDE PENSION PAYMENTS	**1,470**	**1,696**	**1,601**	**2,086**	**2,118**
Gross Pension Costs	1,633	2,140	2,192	2,744	2,438
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	393

STATE PENSION COSTS AND AMORTIZATION SAVINGS (CONTINUED)
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
AMORTIZATION THRESHOLDS (Graded Rate)					
ERS (%)	14.5	15.1	15.1	14.6	14.8
PFRS (%)	22.5	23.5	23.8	23.3	23.5
STATEWIDE PENSION PAYMENTS	**2,225**	**2,352**	**2,463**	**2,445**	**2,500**
Gross Pension Costs	2,189	1,920	2,031	2,013	2,068
(Amortization Amount) / Excess Contributions	(356)	0	0	0	0
Repayment of Amortization (incl. FY 2005 and FY 2006)	392	432	432	432	432

The next table reflects projected pension contributions and amortizations exclusively for the Executive branch and Judiciary employees participating in the ERS and PFRS. The "Normal Costs" column shows the amount of the State's pension cost prior to amortization, as authorized in 2010. The "(Amortized) / Excess Contributions" column shows amounts deferred (i.e., amortized) or payments of outstanding contingencies. The "Amortization Payments" column provides the amount paid in a given fiscal year (principal and interest on deferrals) as authorized in 2010. The "Total" column provides the State's actual or planned pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS

(millions of dollars)

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.8	(713.1)	305.6	1,918.3
Projections:				
2016	1,972.2	(356.2)	389.9	2,005.9
2017	1,696.2	0.0	432.1	2,128.3
2018	1,802.2	0.0	432.1	2,234.3
2019	1,780.4	0.0	432.1	2,212.5
2020	1,830.5	0.0	432.1	2,262.6
2021	1,911.4	0.0	432.2	2,343.6
2022	1,977.9	0.0	399.8	2,377.7
2023	1,993.5	0.0	331.3	2,324.8
2024	2,009.1	0.0	240.1	2,249.2
2025	2,024.4	0.0	126.5	2,150.9
2026	2,039.6	0.0	42.2	2,081.8
2027	2,054.3	0.0	0.0	2,054.3
2028	2,068.9	0.0	0.0	2,068.9
2029	2,061.5	0.0	0.0	2,061.5
2030	2,052.1	0.0	0.0	2,052.1
2031	2,040.4	0.0	0.0	2,040.4

[1] Pension contribution values in this table do not include pension costs related to the Optional Retirement Program and Teachers' Retirement System 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 will end in FY 2016 as a result of early repayments.

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 2015, 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 2015, the unfunded actuarial accrued liability for FY 2015 is $77.4 billion ($63.426 billion for the State and $13.933 billion for SUNY), an increase of $9.2 billion from FY 2014 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2015 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State, and April 1, 2012 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. Driving a significant portion of the annual growth in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries, reflecting an improvement in life expectancy in future years, and resulting in increases to accrued liabilities and the present value of projected benefits. Also driving a portion of the annual growth are the expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2015 totaled $3 billion ($2.3 billion for the State and $0.7 billion for SUNY), an increase of $20 million from FY 2014 ($17 million for the State and $3 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $1.5 billion ($1 billion for the State and $0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2015. 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 2015 by $1.5 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 current 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 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. The State's Health

Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), the Department of Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its current PAYGO funding practice.

The State is currently examining GASB Statement 75, which amends GASB Statement 45 requirements. The GASB Statement 75 will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the funded status of the OPEB liabilities to be reported by the State. The State does not currently expect to implement the GASB Statement 75 changes until the State's FY 2019 Basic Financial Statements.

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 current Financial Plan.

Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. 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 are being processed, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. 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.

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 Financial Plan is dependent on the State's ability to market its bonds successfully. The State finances much of its capital spending in the first instance from the General Fund or 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 maximum terms of 30 years. The 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. The State was in compliance with the statutory caps in the most recent calculation period (FY 2015).

DOB projects 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 $4.9 billion in FY 2016 to $105 million in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. 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 2016	1,142,490	4.00%	45,700	40,814	4,885	3.57%	0.43%		9,415	50,229
FY 2017	1,193,200	4.00%	47,728	42,981	4,747	3.60%	0.40%		8,111	51,092
FY 2018	1,251,360	4.00%	50,054	48,166	1,889	3.85%	0.15%		6,813	54,979
FY 2019	1,315,830	4.00%	52,633	51,988	645	3.95%	0.05%		5,771	57,759
FY 2020	1,379,570	4.00%	55,183	55,078	105	3.99%	0.01%		4,895	59,973
FY 2021	1,444,290	4.00%	57,772	57,488	284	3.98%	0.02%		3,421	60,909

DEBT SERVICE SUBJECT TO CAP (millions of dollars)									TOTAL STATE-SUPPORTED DEBT (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 2016	153,265	5.00%	7,663	4,087	3,576	2.67%	2.33%		1,492	5,579
FY 2017	152,346	5.00%	7,617	4,355	3,262	2.86%	2.14%		823	5,178
FY 2018	159,142	5.00%	7,957	4,766	3,192	2.99%	2.01%		1,477	6,242
FY 2019	160,110	5.00%	8,006	5,365	2,640	3.35%	1.65%		1,392	6,757
FY 2020	163,777	5.00%	8,189	5,856	2,333	3.58%	1.42%		1,362	7,218
FY 2021	170,279	5.00%	8,514	6,247	2,267	3.67%	1.33%		1,198	7,444

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Enacted Budget. The summary below highlights each factor and its cumulative impact on the remaining capacity under the cap since the FY 2017 Executive Budget proposal. These factors include a change (reduction) to the personal income forecast, additional capital commitments approved in the Enacted Budget, revised estimates for bond-financed capital spending, debt issuance adjustments that leverage the State's strong liquidity position, and economic refundings of SUNY Dormitory Facilities debt. In the Enacted Budget, capital spending estimates have consistently been revised downward, as spending estimates are reconciled to actual results. Over the past four years, actual results have been $2.8 billion below the level projected in the Executive Budget for the most recently completed fiscal year (FY 2013 - $685 million, FY 2014 - $543 million, FY 2015 - $587 million, and FY 2016 - $957 million). In managing the State's debt issuances, the Enacted Budget assumes that cash on hand from settlement moneys will be used to defer $1.3 billion of bond issuances in FY 2017, which will instead be issued in FY 2018 ($800 million) and in FY 2019 ($500 million). Also, debt issuances were further reduced by $500 million in FY 2017 for timing-related reasons, reflecting the lag between capital spending and reimbursements from bond sales. With respect to the SUNY Dormitory Facilities refundings, it is expected that bonds under the existing program will be refunded into the new SUNY Dormitory Facilities Revenue Credit (not subject to the statutory debt cap) as they reach their call dates.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
30-Day Executive Budget Financial Plan	**4,403**	**2,892**	**1,522**	**630**	**189**	**584**
Personal Income Forecast Adjustment	8	(108)	(206)	(190)	(180)	(170)
New Base for Enacted Budget Financial Plan	**4,411**	**2,784**	**1,316**	**440**	**9**	**414**
Enacted Capital Adds	0	(897)	(1,180)	(1,313)	(2,068)	(2,908)
Enacted Capital Reestimates	474	1,042	752	1,001	1,553	1,983
Management of Debt Issuances	0	1,818	974	454	448	441
SUNY Dorms Anticipated Refundings	0	0	27	63	163	353
Enacted Budget Financial Plan	**4,885**	**4,747**	**1,889**	**645**	**105**	**284**

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. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, which 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, 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, 2016, there were approximately $257 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining financially distressed hospitals, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014 when $12 million was paid, and again in FY 2015 and FY 2016 when $24 million and $19 million were paid, respectively. DASNY also estimates the State will pay debt service costs of approximately $25 million in FY 2017, and approximately $14 million annually in FY 2018 through FY 2021. 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 that currently is not meeting the terms of its loan agreement with DASNY, a second financially distressed hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $24 million annually, if all financially distressed hospitals 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 (the "May 2011 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 ("Downstate Hospital"). 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 RFP seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

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. The external demolition of the buildings had been the subject of a court ordered restraint that was removed as of October 29, 2015. In its efforts to complete the demolitions and environmental remediation, the Purchaser has continued to deal with challenges raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

If the NMS Closing does 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 after July 1, 2016. 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 construction 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.

2016 Legislative Session

The State's regular legislative session for 2016 ended on June 18, 2016. During the session, several bills with a fiscal impact were approved by the Legislature and signed by the Governor, including a bill that provides certain military veterans with enhanced pension benefits. In addition, a number of bills have been passed by the Legislature and are expected to be sent to the Governor for his review. DOB is evaluating 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 bills signed by the Governor.

State Financial Plan Projections Fiscal Years 2017 Through 2020

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State Financial Plan Projections Fiscal Years 2017 Through 2020

Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2017 through FY 2020, with an emphasis on the FY 2017 projections.

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 40 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, 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 2017 budget, FY 2018, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2017 Through 2020

Summary

The FY 2017 Enacted Budget Financial Plan reflects a 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence with a 2 percent spending benchmark.

The projections for FY 2018 and thereafter set forth in the Enacted Budget Financial Plan reflect the 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 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 does not adhere to the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, FY 2019, and FY 2020, the projected budget gaps would be higher.

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 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes (After Debt Service)	62,581	65,117	68,201	68,307	71,029
Miscellaneous Receipts/Federal Grants	5,842	2,813	2,486	2,455	2,318
Other Transfers	1,253	1,046	750	750	734
Total Receipts	**69,676**	**68,976**	**71,437**	**71,512**	**74,081**
DISBURSEMENTS					
Local Assistance Grants	43,314	45,957	49,086	51,650	54,496
School Aid	20,133	21,101	22,679	23,931	25,241
Medicaid/EP	12,136	12,683	13,566	14,470	15,448
All Other	11,045	12,173	12,841	13,249	13,807
State Operations	7,955	8,299	8,655	8,499	8,640
Personal Service	6,011	6,054	6,097	6,135	6,189
Non-Personal Service	1,944	2,245	2,558	2,364	2,451
General State Charges	5,397	5,425	5,824	6,033	6,417
Transfers to Other Funds	11,376	12,160	11,375	12,005	12,156
Debt Service	1,196	706	1,260	1,182	1,076
Capital Projects	2,721	4,461	3,019	3,399	3,311
State Share of Mental Hygiene Medicaid	2,036	1,437	1,325	1,301	1,236
SUNY Operations	998	996	1,001	997	997
All Other	4,425	4,560	4,770	5,126	5,536
Total Disbursements	**68,042**	**71,841**	**74,940**	**78,187**	**81,709**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**2,956**	**4,634**	**6,498**
Use (Reservation) of Fund Balance:	**(1,634)**	**2,865**	**902**	**1,200**	**731**
Community Projects Fund	11	10	0	0	0
Labor Agreements Prior to FY 2017	35	15	0	0	0
Undesignated Fund Balance	(47)	87	0	0	0
Monetary Settlements[2]	(1,633)	2,753	902	1,200	731
Programmed	(1,088)	2,873	902	1,200	731
Unbudgeted	(545)	(120)	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**355**	**(841)**	**(399)**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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.

[2] FY 2016 and FY 2017 reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $1.35 billion in FY 2017); the Environmental Protection Fund ($120 million in FY 2017); and the mental hygiene account for Federal disallowance repayment ($850 million in FY 2016).

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes	73,279	75,832	79,208	79,989	83,142
Miscellaneous Receipts/Federal Grants	23,328	18,807	18,606	18,799	18,502
Total Receipts	**96,607**	**94,639**	**97,814**	**98,788**	**101,644**
DISBURSEMENTS					
Local Assistance Grants	62,653	64,889	67,885	70,742	73,563
School Aid (School Year Basis)	23,290	24,797	25,906	27,219	28,599
DOH Medicaid	17,453	18,184	18,982	19,882	20,741
Transportation	4,745	4,952	5,040	5,097	5,192
STAR	3,335	3,228	2,977	2,921	2,869
Higher Education	2,955	3,031	3,097	3,158	3,195
Social Services	2,949	2,924	2,982	3,015	3,047
Mental Hygiene	2,646	2,571	3,132	3,494	3,738
All Other[1]	5,280	5,202	5,769	5,956	6,182
State Operations	18,583	18,534	18,893	18,885	19,034
Personal Service	12,981	12,841	12,900	13,020	13,113
Non-Personal Service	5,602	5,693	5,993	5,865	5,921
General State Charges	7,452	7,551	8,022	8,302	8,736
Pension Contribution	2,225	2,352	2,463	2,445	2,500
Health Insurance (Active Employees)	2,178	2,343	2,484	2,651	2,831
Health Insurance (Retired Employees)	1,285	1,376	1,459	1,557	1,663
All Other	1,763	1,479	1,616	1,648	1,743
Debt Service	5,598	5,203	6,257	6,771	7,232
Capital Projects	2	3	2	0	0
Total Disbursements	**94,288**	**96,180**	**101,059**	**104,700**	**108,565**
Net Other Financing Sources/(Uses)	432	(1,657)	140	(327)	(134)
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**2,956**	**4,634**	**6,498**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,751)	3,198	504	764	158
General Fund	(1,634)	2,865	902	1,200	731
Special Revenue Funds	(1,075)	422	(290)	(344)	(413)
Debt Service Funds	(42)	(89)	(108)	(92)	(160)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**355**	**(841)**	**(399)**

[1] All Other includes other education, parks, environment, economic development, public safety, and reconciliation between the basis for school year and State fiscal year spending on School aid.

[2] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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 budget gaps would be higher.

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 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 2017 are projected to total $152.3 billion, 0.6 percent below FY 2016 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	47,055	49,464	5.1%	51,755	4.6%	51,734	0.0%	53,743	3.9%
Consumption/Use Taxes	15,725	16,134	2.6%	16,866	4.5%	17,453	3.5%	18,005	3.2%
Business Taxes	7,884	7,994	1.4%	8,323	4.1%	8,448	1.5%	8,863	4.9%
Other Taxes	2,703	2,183	-19.2%	2,174	-0.4%	2,191	0.8%	2,292	4.6%
Payroll Tax	1,306	1,353	3.6%	1,416	4.7%	1,485	4.9%	1,562	5.2%
Total State Taxes	**74,673**	**77,128**	**3.3%**	**80,534**	**4.4%**	**81,311**	**1.0%**	**84,465**	**3.9%**
Miscellaneous Receipts	27,268	23,567	-13.6%	25,875	9.8%	25,308	-2.2%	24,802	-2.0%
Federal Receipts	51,324	51,651	0.6%	52,733	2.1%	53,490	1.4%	54,512	1.9%
Total All Fund Receipts	**153,265**	**152,346**	**-0.6%**	**159,142**	**4.5%**	**160,109**	**0.6%**	**163,779**	**2.3%**

State tax receipts are expected to increase 3.3 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period beyond FY 2017, all tax categories are expected to exhibit growth. The Other tax category is expected to display a near term decline due to tax cuts enacted in 2014, but is expected to resume growth in the long term.

After controlling for the impact of tax law changes, base tax revenue increased 5.4 percent in FY 2016, and is projected to increase by 3.5 percent in FY 2017 and 5.3 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**47,055**	**49,464**	**5.1%**	**51,755**	**4.6%**	**51,734**	**0.0%**	**53,743**	**3.9%**
Gross Collections	56,600	58,540	3.4%	61,895	5.7%	62,741	1.4%	66,091	5.3%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
GENERAL FUND[1]	**31,957**	**33,870**	**6.0%**	**35,839**	**5.8%**	**35,879**	**0.1%**	**37,438**	**4.3%**
Gross Collections	56,600	58,540	3.4%	61,895	5.7%	62,741	1.4%	66,091	5.3%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
STAR	(3,335)	(3,228)	3.2%	(2,977)	7.8%	(2,921)	1.9%	(2,869)	1.8%
RBTF	(11,763)	(12,366)	-5.1%	(12,939)	-4.6%	(12,934)	0.0%	(13,436)	-3.9%

[1]Excludes Transfers.

All Funds income tax receipts for FY 2017 are projected to be $49.5 billion, an increase of $2.4 billion (5.1 percent) from FY 2016 results. This increase includes growth in withholding, estimated payments attributable to the 2016 tax year, final returns, and delinquency collections, coupled with a moderate decline in total refunds related to the decrease of the administrative refund cap in January to March 2017. Growth in these categories is partially offset by a decline in extension payments attributable to the 2015 tax year.

The following table summarizes, by component, actual receipts for FY 2016 and forecast amounts through FY 2020.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts					
Withholding	36,549	38,356	39,802	41,056	43,158
Estimated Payments	16,111	16,106	17,805	17,194	18,244
Current Year	11,561	12,045	13,159	12,102	13,152
Prior Year[1]	4,550	4,061	4,646	5,092	5,092
Final Returns	2,630	2,720	2,891	3,034	3,168
Current Year	269	280	292	292	292
Prior Year[1]	2,361	2,440	2,599	2,742	2,876
Delinquent	1,310	1,358	1,397	1,457	1,521
Gross Receipts	56,600	58,540	61,895	62,741	66,091
Refunds					
Prior Year[1]	5,130	5,037	6,366	6,608	7,556
Previous Years	618	718	689	714	744
Current Year[1]	2,551	1,750	1,750	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709
State/City Offset[1]	675	688	688	688	589
Total Refunds	9,545	9,076	10,140	11,007	12,348
Net Receipts	**47,055**	**49,464**	**51,755**	**51,734**	**53,743**

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

Withholding in FY 2017 is projected to be $1.8 billion (4.9 percent) higher than FY 2016 results, due mainly to moderate estimated wage growth. Extension payments related to tax year 2015 are estimated to decrease by $489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 payments (taxpayers paid a higher percentage of their tax year 2015 liability through estimated payments and a lower percentage through extensions). Estimated payments for tax year 2016 are projected to be $484 million (4.2 percent) higher. Final return payments and delinquencies are projected to be $90 million (3.4 percent) higher and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $469 million (4.9 percent) includes a $93 million decline (1.8 percent) in prior (tax year 2015) refunds, a $100 million (16.2 percent) increase in previous (tax year 2014 and earlier) refunds, an $801 million (31.4 percent) decline in current (tax year 2016) refunds (due to a decrease in the January to March 2017 administrative refund cap), a $312 million (54.6 percent) increase in advanced credit payments related to tax year 2016, and a $13 million (1.9

percent) increase in the state-city offset. The advanced credit payment forecast includes $98 million in payments attributable to the conversion of the STAR homeowners' benefit to a personal income tax credit.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2017 of $33.9 billion are estimated to increase by $1.9 billion (6 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.4 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $51.8 billion are projected to increase by $2.3 billion (4.6 percent) from FY 2017 estimates. Gross receipts are projected to increase 5.7 percent, reflecting withholding that is projected to grow by $1.4 billion (3.8 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.1 billion (9.2 percent). The relatively weak growth in withholding is attributable to the combination of the newly-enacted middle income tax cuts and the scheduled decline of the current top marginal tax rate from 8.82 percent to 6.85 percent, both effective for tax year 2018. Payments from extensions for tax year 2016 are projected to increase by $585 million (14.4 percent) and final returns are expected to increase $171 million (6.3 percent). Delinquencies are projected to increase $39 million (2.9 percent) from the prior year. Total refunds are projected to increase by $1.1 billion (11.7 percent) from the prior year. The aforementioned figures include a $236 million reduction in withholding attributable to the personal income tax rate reductions, and a $281 million increase in total refunds attributable to the STAR program changes included with the FY 2017 Enacted Budget legislation.

General Fund PIT receipts for FY 2018 of $35.8 billion are projected to increase by $2 billion (5.8 percent). RBTF deposits are projected to be $12.9 billion, and the STAR transfer is projected to be $3 billion.

All Funds PIT receipts in FY 2019 are projected to decrease by $21 million to $51.7 billion, while General Fund PIT receipts are projected to total $35.9 billion. Projected near-flat growth in FY 2019 receipts is due to the aforementioned expiration of the current top income tax rate at the end of tax year 2017, combined with continued phase-in of the just enacted middle income tax cuts. Legislation included in the FY 2017 Enacted Budget is projected to reduce FY 2019 collections by $1.7 billion.

All Funds income tax receipts are projected to increase by $2 billion (3.9 percent) in FY 2020 to reach $53.7 billion, while General Fund receipts are projected to total $37.4 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,134**	**2.6%**	**16,866**	**4.5%**	**17,453**	**3.5%**	**18,005**	**3.2%**
Sales Tax	13,359	13,870	3.8%	14,573	5.1%	15,192	4.2%	15,780	3.9%
Cigarette and Tobacco Taxes	1,251	1,226	-2.0%	1,192	-2.8%	1,151	-3.4%	1,105	-4.0%
Motor Fuel Tax	503	494	-1.8%	491	-0.6%	486	-1.0%	483	-0.6%
Highway Use Tax	158	84	-46.8%	138	64.3%	140	1.4%	141	0.7%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%
Medical Marihuana Excise Tax	0	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge	73	70	-4.1%	70	0.0%	70	0.0%	70	0.0%
Auto Rental Tax	126	128	1.6%	135	5.5%	142	5.2%	149	4.9%
GENERAL FUND[1]	**6,819**	**7,087**	**3.9%**	**7,424**	**4.8%**	**7,712**	**3.9%**	**7,983**	**3.5%**
Sales Tax	6,242	6,481	3.8%	6,816	5.2%	7,109	4.3%	7,386	3.9%
Cigarette and Tobacco Taxes	322	348	8.1%	345	-0.9%	335	-2.9%	324	-3.3%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.1 billion, an increase of $409 million (2.6 percent) from FY 2016 results. Sales tax receipts are estimated to increase $511 million (3.8 percent) from the prior year, resulting from 3.7 percent base (i.e., absent law changes) growth. This base growth stems from estimated moderate disposable income, employment, and consumption growth. Cash results are reduced by agreements between certain mobile telecommunications providers and the State to allow such providers to remit less sales tax for a period 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 decline $25 million (2 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are expected to decrease by $74 million (46.8 percent) due to refunds resulting from the *Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance* court decision as well as a reduction in continuing registration fees resulting from the same litigation. Motor fuel tax collections are expected to decrease $9 million (1.8 percent), reflecting an expected increase in refunds combined with a slight decline in taxable motor fuel consumption, partially offset by slight growth in diesel consumption. Taxicab receipts are estimated to decline by $3 million (4.1 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on State sales and use tax revenue bonds. Receipts in excess of the debt service requirements of the funds and the local assistance payments to New York City, or its assignee, are transferred back to the General Fund.

General Fund consumption/use tax receipts for FY 2017 are estimated to total nearly $7.1 billion, an increase of $268 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts for FY 2018 are projected to be $16.9 billion, an increase of $732 million (4.5 percent) from the current year. The projected $703 million (5.1 percent) increase in sales tax receipts reflects sales tax base growth of 4.1 percent, due to projected disposable income, employment, and consumption growth.

General Fund consumption/use tax receipts are projected to total $7.4 billion in FY 2018, a $337 million (4.8 percent) increase from the current year. The projected increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts are projected to increase to nearly $17.5 billion (3.5 percent growth) in FY 2019 and to $18 billion (3.2 percent growth) in FY 2020, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund consumption/use tax receipts are projected to total $7.7 billion (3.9 percent growth) in FY 2019 and nearly $8 billion (3.5 percent growth) in FY 2020, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**7,884**	**7,994**	**1.4%**	**8,323**	**4.1%**	**8,448**	**1.5%**	**8,863**	**4.9%**
Corporate Franchise Tax	4,527	4,483	-1.0%	4,780	6.6%	4,822	0.9%	5,222	8.3%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	754	1.3%
Insurance Tax	1,580	1,477	-6.5%	1,572	6.4%	1,701	8.2%	1,784	4.9%
Bank Tax	(121)	203	267.8%	190	-6.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,124	1,093	-2.8%	1,049	-4.0%	1,038	-1.0%	1,032	-0.6%
GENERAL FUND	**5,647**	**5,750**	**1.8%**	**6,078**	**5.7%**	**6,155**	**1.3%**	**6,538**	**6.2%**
Corporate Franchise Tax	3,763	3,688	-2.0%	3,950	7.1%	3,949	0.0%	4,312	9.2%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%
Insurance Tax	1,419	1,321	-6.9%	1,407	6.5%	1,521	8.1%	1,597	5.0%
Bank Tax	(129)	173	234.1%	162	-6.4%	122	-24.7%	60	-50.8%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2017 are estimated at $8 billion, an increase of $110 million (1.4 percent) from FY 2016 results. The estimate primarily reflects an increase in the bank tax of $324 million and a combined decrease of $214 million among all other taxes.

Corporation franchise tax receipts are estimated to decrease $44 million (1 percent) in FY 2017, reflecting additional elements of corporate tax reform (a reduction in the business income tax rate from 7.1 percent to 6.5 percent and the first year of the capital tax base phase-out). Offsetting the majority of this reduction is an increase in expected audit receipts of $454 million.

Corporation and utilities tax receipts are expected to decrease $36 million (4.7 percent) in FY 2017. Gross receipts are expected to increase from FY 2016 results, while audits are expected to be lower. In FY 2016 several telecommunication audit cases were closed. This is not expected to recur in FY 2017.

Insurance tax receipts for FY 2017 are expected to decrease $103 million (6.5 percent) from FY 2016 results. Projected growth in insurance tax premiums is more than offset by the first full year impact of the tax credit for assessments paid to the Life Insurance Guaranty Corporation (LIGC.) It is expected that taxpayers will lower their 2016 estimated payments to reflect this non-refundable tax credit. The LIGC exists to protect policyholders from the insolvency of their insurers. Audits and refunds are also expected to reflect historical trends.

Bank tax receipts are estimated to increase by $324 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments. Audit receipts are estimated to increase $17 million from FY 2016 results.

PBT receipts are estimated to decrease $31 million (2.8 percent) in FY 2017, primarily due to the 5 percent decrease in the PBT rate index effective January 2016, and the estimated 5 percent decrease effective January 2017, and an estimated slight decline in taxable motor fuel consumption. These declines are partially offset by estimated slight growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are estimated to increase $103 million (1.8 percent) from FY 2016 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 of $8.3 billion are projected to increase by $329 million (4.1 percent) from FY 2017. The increase in corporation franchise tax receipts of $297 million (6.6 percent) reflects full implementation of the majority of the corporate tax reform changes with liability growth reflecting projected growth in corporate profits. The corporation and utilities tax receipts decline of $6 million (0.8 percent) reflects lower telecommunications receipts partially offset by a modest increase in utility tax revenue. Insurance tax receipts are projected to increase $95 million (6.4 percent). Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contributes to year-over-year growth. Bank tax receipts are projected to decrease by $13 million (6.4 percent), due to lower projected audit receipts. PBT receipts are projected to decline $44 million (4 percent) in FY 2018, primarily due to the projected 5 percent decrease in the PBT rate index effective January 2017 noted above and projected modest declines in taxable motor fuel consumption, partially offset by growth in diesel fuel consumption.

General Fund business tax receipts for FY 2018 of $6.1 billion are projected to increase $328 million (5.7 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 and FY 2020 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to increase to over $8.4 billion (1.5 percent growth) in

FY 2019, and increase to $8.9 billion (4.9 percent growth) in FY 2020. General Fund business tax receipts are expected to increase to $6.2 billion (1.3 percent growth) in FY 2019 and $6.5 billion (6.2 percent growth) in FY 2020.

Other Taxes

OTHER TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,183**	**-19.2%**	**2,174**	**-0.4%**	**2,191**	**0.8%**	**2,292**	**4.6%**
Estate Tax	1,521	1,024	-32.7%	949	-7.3%	912	-3.9%	963	5.6%
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	1,163	1,138	-2.1%	1,204	5.8%	1,258	4.5%	1,308	4.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,045**	**-32.1%**	**970**	**-7.2%**	**933**	**-3.8%**	**984**	**5.5%**
Estate Tax	1,521	1,024	-32.7%	949	-7.3%	912	-3.9%	963	5.6%
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	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be slightly below $2.2 billion, a $520 million (19.2 percent) decrease from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $497 million (32.7 percent) due to the continued phase-in of the increased filing threshold, and an expected return to historical levels of super large payments (i.e., payments over $25 million). Additionally, real estate transfer tax receipts are projected to decrease $25 million (2.1 percent) due to the combination of a small estimated decrease in the volume of transactions in New York City and a large estimated decrease in housing starts statewide, partially offset by year-over-year price growth. The transaction decline is partially due to a building permit shift from FY 2017 into FY 2016 caused by the uncertainty that surrounded the extension of New York City property tax abatement legislation. The remaining taxes in this category are estimated to generate an additional $2 million (10.5 percent) largely due to legislation that legalized mixed martial arts.

General Fund other tax receipts are expected to be well over $1 billion in FY 2017, a $495 million (32.1 percent) decrease from FY 2016 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 are projected to slightly decline due to a projected decrease in estate tax receipts resulting from the continued phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Additionally, real estate transfer tax receipts are projected to increase in FY 2018 reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $75 million (7.2 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 and FY 2020 reflect tax cuts, projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to increase slightly (0.8 percent) in FY 2019, then resume trend growth (4.6 percent) in FY 2020. General Fund other tax receipt estimates for FY 2019 and FY 2020 are projected to decrease by 3.8 percent, then increase by 5.5 percent, respectively, due to the projected changes in estate tax receipts noted in the table 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, monetary settlements and a variety of fees and licenses.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**27,268**	**23,567**	**-13.6%**	**25,875**	**9.8%**	**25,308**	**-2.2%**	**24,802**	**-2.0%**
General Fund	5,842	2,813	-51.8%	2,486	-11.6%	2,455	-1.2%	2,318	-5.6%
Special Revenue Funds	17,117	15,681	-8.4%	15,797	0.7%	16,025	1.4%	15,867	-1.0%
Capital Projects Funds	3,822	4,618	20.8%	7,127	54.3%	6,367	-10.7%	6,158	-3.3%
Debt Service Funds	487	455	-6.6%	465	2.2%	461	-0.9%	459	-0.4%

All Funds miscellaneous receipts are projected to total $23.6 billion in FY 2017, a decrease of 13.6 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS. In addition to the impact of monetary settlements, declining FY 2017 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 increase in FY 2018, largely reflecting the expected timing of bond proceed reimbursement for capital expenditures, and remain relatively flat in FY 2019 and FY 2020.

FEDERAL GRANTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**51,324**	**51,651**	**0.6%**	**52,733**	**2.1%**	**53,490**	**1.4%**	**54,512**	**1.9%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	49,105	49,416	0.6%	50,567	2.3%	51,326	1.5%	52,292	1.9%
Capital Projects Funds	2,146	2,162	0.7%	2,093	-3.2%	2,091	-0.1%	2,147	2.7%
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 expected to grow to $54.5 billion by FY 2020, 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.

Disbursements

Total disbursements in FY 2017 are estimated at $71.8 billion in the State's General Fund (including transfers) and $96.2 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 $64.9 billion in FY 2017, 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)

			Forecast		
	FY 2016 Results[1]	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
MEDICAID					
Individuals Covered	6,140,813	6,320,438	6,408,439	6,451,522	6,474,592
- Essential Plan	441,223	472,815	476,091	479,390	482,711
- Child Health Plus (Caseload)	275,854	281,516	283,205	284,904	286,614
State Takeover of County/NYC Costs	$2,031	$2,360	$2,680	$2,989	$3,287
- Family Health Plus	$0	$0	$0	$0	$0
- Medicaid	$2,031	$2,360	$2,680	$2,989	$3,287
EDUCATION					
SY School Aid (Funding)	$23,290	$24,797	$25,906	$27,219	$28,599
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	573,555	573,555	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	301,554	301,869	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	243,642	238,388	235,591	232,955	230,355
Safety Net Program (Families)	117,682	115,259	113,865	112,561	111,278
Safety Net Program (Singles)	203,114	203,512	203,920	206,266	208,355
Total Mental Hygiene Community Beds	98,323	101,389	104,362	107,382	107,467
- OMH Community Beds	42,151	44,323	46,716	49,166	49,166
- OPWDD Community Beds	42,314	42,938	43,437	43,971	43,971
- OASAS Community Beds	13,858	14,128	14,209	14,245	14,330
PRISON POPULATION (CORRECTIONS)	52,800	52,000	N/A	N/A	N/A

[1] Reflects preliminary unaudited results.

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 $1.51 billion (6.5 percent) in SY 2017. This increase includes $627 million for additional Foundation Aid and $434 million for full restoration of the Gap Elimination Adjustment (GEA) for all 674 school districts. In total, $175 million is provided to facilitate the transformation of schools in high-need districts into community hubs offering expanded services to children and their families, including $100 million as a set-aside within Foundation Aid and $75 million in new Community Schools Grants. The latter will be awarded to school districts with failing and persistently failing schools, based on a plan developed by SED, to support the operating and capital costs associated with the conversion of such schools into community schools. In addition, another $344 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 includes $28 million for new competitive grants, including $22 million to expand prekindergarten access for three-year-old children. In addition, the Enacted Budget Financial Plan reflects the continuation of $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

School Aid is projected to increase by an additional $1.11 billion (4.5 percent) in SY 2018, consistent with the Personal Income Growth Index in statute. Actual School Aid increases approved by the Legislature have exceeded the index in the current and each of the last three school years.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)
(millions of dollars)

	SY 2016	SY 2017	Change	SY 2018	Change	SY 2019	Change	SY 2020	Change
Total	23,290	24,797	1,507	25,906	1,109	27,219	1,313	28,599	1,380
			6.5%		4.5%		5.1%		5.1%

School 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 and Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which 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 multi-year projected sources of spending on a State fiscal year basis.

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

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**23,302**	**24,422**	**4.8%**	**25,898**	**6.0%**	**27,196**	**5.0%**	**28,555**	**5.0%**
General Fund Local Assistance	20,133	21,101	4.8%	22,679	7.5%	23,931	5.5%	25,241	5.5%
Core Lottery Aid	2,219	2,360	6.4%	2,243	-5.0%	2,227	-0.7%	2,224	-0.1%
VLT Lottery Aid	950	961	1.2%	886	-7.8%	867	-2.1%	893	3.0%
Commercial Gaming - VLT Offset	0	0	0.0%	71	0.0%	89	25.4%	63	-29.2%
Commercial Gaming	0	0	0.0%	19	0.0%	82	331.6%	134	63.4%

State fiscal year spending for School Aid is projected to total $24.4 billion in FY 2017. In future years, receipts available to finance this category of aid from core lottery sales are projected to decline. In addition to State aid, school districts receive more than $3 billion annually in Federal aid.

It is expected that State aid payments for School Aid will be supplemented by commercial gaming revenues, beginning in FY 2017. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Location Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Location Board in October 2015. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid to be funded from casino revenue resources becomes a General Fund obligation. It is expected that the four casinos will be operational in FY 2018.

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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,085**	**2,330**	**11.8%**	**2,390**	**2.6%**	**2,520**	**5.4%**	**2,626**	**4.2%**
Special Education	1,317	1,437	9.1%	1,540	7.2%	1,657	7.6%	1,784	7.7%
All Other Education	768	893	16.3%	850	-4.8%	863	1.5%	842	-2.4%

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 for the major cultural institutions of the State Archives, the State Library, and the 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.

Special Education spending growth in FY 2017 is primarily the result of lower-than-expected preschool special education claims submitted during FY 2016, as well as rate increases given to private special education providers. The increase in All Other Education spending in FY 2017 is driven primarily by supplemental State payments to charter schools, investments in new programs such as the My Brother's Keeper initiative, increased funding for existing programs including nonpublic schools and higher education opportunity programs, and one-time costs associated with targeted aid and grants.

In FY 2018, the decrease in projected spending for all other education is primarily attributable to the expiration of a two-year appropriation provided to nonpublic schools to reimburse them for State-mandated services provided in prior years. However, this decrease is offset by projected increases in State reimbursement for special education programs, which are expected to continue to drive outyear growth.

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. It is expected that lower-income senior citizens will receive a $65,300 exemption in FY 2017. 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 share of total spending in FY 2017 are: the basic school property tax exemption for homeowners with income under $500,000 (54 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $84,550 (29 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (17 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The projected spending decline over the course of the Financial Plan is the result of changes to the STAR program included in the Enacted Budget and which will phase in over time. STAR will gradually shift from a spending program into a refundable pre-paid PIT credit, with this change applying to first-time homebuyers and to homeowners who move. Further reductions in STAR spending will be achieved by the conversion of the New York City PIT STAR credit into a New York State PIT credit.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,335**	**3,228**	**-3.2%**	**2,977**	**-7.8%**	**2,921**	**-1.9%**	**2,869**	**-1.8%**
Basic Exemption	1,774	1,756	-1.0%	1,708	-2.7%	1,667	-2.4%	1,624	-2.6%
Enhanced (Seniors)	943	943	0.0%	916	-2.9%	895	-2.3%	872	-2.6%
New York City PIT	618	529	-14.4%	353	-33.3%	359	1.7%	373	3.9%

The following table illustrates total savings that result from the STAR tax credit conversions, after accounting for the impact of the estimated State PIT receipts.

STAR CONVERSION CREDIT
SAVINGS/(COSTS)
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
CONVERSION OF NEW YORK CITY PIT STAR CREDIT TO A STATE PIT CREDIT:				
PIT Receipts	0	(87)	(284)	(286)
STAR Spending	87	284	286	286
STAR BENEFIT INTO A TAX CREDIT FOR NEW HOMEOWNERS:				
PIT Receipts	(98)	(194)	(290)	(385)
STAR Spending	98	194	290	385
NET FINANCIAL PLAN IMPACT	**87**	**197**	**2**	**0**

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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,955**	**3,031**	**2.6%**	**3,097**	**2.2%**	**3,158**	**2.0%**	**3,195**	**1.2%**
City University	**1,429**	**1,454**	**1.7%**	**1,486**	**2.2%**	**1,527**	**2.8%**	**1,553**	**1.7%**
Senior Colleges	1,198	1,206	0.7%	1,243	3.1%	1,285	3.4%	1,311	2.0%
Community College	231	248	7.4%	243	-2.0%	242	-0.4%	242	0.0%
Higher Education Services	**1,025**	**1,068**	**4.2%**	**1,103**	**3.3%**	**1,123**	**1.8%**	**1,135**	**1.1%**
Tuition Assistance Program	966	978	1.2%	991	1.3%	994	0.3%	994	0.0%
Scholarships/Awards	47	78	66.0%	100	28.2%	117	17.0%	129	10.3%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**501**	**509**	**1.6%**	**508**	**-0.2%**	**508**	**0.0%**	**507**	**-0.2%**
Community College	496	504	1.6%	503	-0.2%	503	0.0%	502	-0.2%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 396,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 333,000 students. State funds are used to support a significant portion of SUNY and CUNY operations, including employee fringe benefit costs. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.2 billion in FY 2017 (not reflected in annual spending totals for the universities).

HESC administers the Tuition Assistance Program (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 governments.

In total, State Operating Funds local assistance spending is projected to increase by 2.6 percent from FY 2016 to FY 2017. This increase is distributed across SUNY, CUNY, and HESC programs and operations. Additional outyear growth is projected to be driven by spending in student financial assistance programs, largely the result of increasing enrollment in recent scholarship initiatives such as Science, Technology, Engineering and Math (STEM) and the Get On Your Feet Loan Forgiveness Program. CUNY Senior College spending is also projected to grow in the outyears due to employee benefits costs.

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including 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, specifically 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 more than $7 billion through FY 2020, with the remaining funds expected to be disbursed beyond FY 2020. 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, the 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 2018, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.4 percent for FY 2017. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2018; 3.0 percent in FY 2019; and 2.8 percent in FY 2020.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Global Medicaid Cap[1]	**17,104**	**17,692**	**18,259**	**18,812**	**19,338**
Annual % Change		3.4%	3.2%	3.0%	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 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 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Department of Health Medicaid	17,707	18,147	18,964	19,855	20,711
Local Assistance	17,434	17,850	18,637	19,527	20,376
State Operations	273	297	327	328	335
Other State Agency Medicaid Spending	4,883	4,537	4,952	5,199	5,394
Mental Hygiene	4,739	4,397	4,810	5,057	5,250
Foster Care	89	90	92	92	94
Education	55	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,590**	**22,684**	**23,916**	**25,054**	**26,105**
Annual $ Change		94	1,232	1,138	1,051
Annual % Change		0.4%	5.4%	4.8%	4.2%
Essential Plan[2]	**32**	**377**	**385**	**395**	**406**

[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; and increased Federal Financial Participation that became effective in January 2014.

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

The State share of DOH Medicaid spending is financed by a combination of the General Fund, HCRA resources, indigent care support, and provider assessment revenue. 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[1,2]
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS	**17,739**	**18,524**	**4.4%**	**19,349**	**4.5%**	**20,250**	**4.7%**	**21,117**	**4.3%**
General Fund - DOH Medicaid Local	12,117	12,349	1.9%	13,221	7.1%	14,115	6.8%	15,083	6.9%
DOH Medicaid	11,250	11,257	0.1%	12,373	9.9%	13,311	7.6%	14,281	7.3%
Mental Hygiene - Global Cap Adjustment[3]	867	1,092	26.0%	848	-22.3%	804	-5.2%	802	-0.2%
General Fund - DOH Medicaid State Ops[4]	273	297	8.8%	327	10.1%	328	0.3%	335	2.1%
General Fund - Essential Plan	32	377	1078.1%	385	2.1%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	43	230.8%	40	-7.0%	40	0.0%	41	2.5%
Other State Funds - DOH Medicaid Local	5,317	5,501	3.5%	5,416	-1.5%	5,412	-0.1%	5,293	-2.2%
HCRA Financing	3,523	3,737	6.1%	3,712	-0.7%	3,708	-0.1%	3,589	-3.2%
Indigent Care Support	961	952	-0.9%	892	-6.3%	892	0.0%	892	0.0%
Provider Assessment Revenue	833	812	-2.5%	812	0.0%	812	0.0%	812	0.0%

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

[2] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.

[3] The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.

[4] Includes operating costs of the New York State of Health Exchange which are funded by DOH within the Medicaid Global Cap.

The FY 2017 Enacted Budget Financial Plan includes additional funding to support the increased cost of Medicaid associated with the regionally-based multi-year phase-in of statewide minimum wage increases authorized by the Enacted Budget. This initiative is expected to increase annual Medicaid spending, above previously forecasted Global Cap limits, by $13 million in FY 2017; $88 million in FY 2018; $253 million in FY 2019; and $411 million in FY 2020.

The FY 2017 Enacted Budget Financial Plan also reflects a continuation of the MRT initiative, which focuses on implementing various investments and efficiencies within the statewide Medicaid program in order to achieve improved health care service delivery and cost efficiency within the statutory spending limits of the Medicaid Global Cap. DOH proposes a number of initiatives to reduce spending within the Global Cap, including certain efficiencies in managed care program premiums; realigning the capital and operating components of the Supportive Housing program; and a new penalty for extreme generic drug pricing, in order to discourage such practices and limit cost increases.

The MRT savings initiatives are expected to offset a number of increased cost pressures and program investments within the Global Cap, including increases in Medicare Part D “clawback” expenses as a result of rising drug prices; Medicare Part B increases due to Federal requirements for states to hold certain beneficiaries harmless for premium increases when Cost-of-Living Adjustments (COLAs) are not included in Social Security plans; and additional funding for fiscally distressed hospitals. Savings of $44 million are expected as a result of transferring certain supportive housing costs to the Capital Projects Fund in each of FYs 2017 and 2018. These savings are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap. Additional means to offset rising costs within the Medicaid Global Cap are available 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 Financial Plan savings.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to exceed 6.1 million by the end of FY 2016, a slight decrease from FY 2015 caseload of 6.2 million. This decline is mainly attributable to the transition from Medicaid to the EP of certain legally residing immigrants.

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 will be enrolled through the NYSOH health benefit exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 85 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL ALL FUNDS SPENDING	**1,539**	**2,461**	**59.9%**	**2,535**	**3.0%**	**2,610**	**3.0%**	**2,683**	**2.8%**
State Operating Funds	**32**	**377**	**1078.1%**	**385**	**2.1%**	**395**	**2.6%**	**406**	**2.8%**
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	43	230.8%	40	-7.0%	40	0.0%	41	2.5%
Federal Operating Funds	**1,507**	**2,084**	**38.3%**	**2,150**	**3.2%**	**2,215**	**3.0%**	**2,277**	**2.8%**

The Enacted Budget Financial Plan includes forecast revisions based on updated income level data associated with program enrollees, which is expected to drive an increased Federal share of funding and lower the State's share of support as compared with initial estimates. The State's program costs associated with the EP program, and related savings, are managed within the total available resources of the Medicaid Global Cap.

Public Health/Aging Programs

Public Health includes the CHP program that finances health insurance coverage for children of low-income families, up to the age of 19; the 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 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. The 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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,774**	**1,643**	**-7.4%**	**1,684**	**2.5%**	**1,713**	**1.7%**	**1,866**	**8.9%**
Public Health	**1,647**	**1,513**	**-8.1%**	**1,551**	**2.5%**	**1,575**	**1.5%**	**1,723**	**9.4%**
Child Health Plus	378	220	-41.8%	230	4.5%	246	7.0%	374	52.0%
General Public Health Work	194	199	2.6%	202	1.5%	206	2.0%	210	1.9%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	159	-0.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	426	383	-10.1%	398	3.9%	397	-0.3%	402	1.3%
All Other	363	420	15.7%	429	2.1%	439	2.3%	450	2.5%
Aging	**127**	**130**	**2.4%**	**133**	**2.3%**	**138**	**3.8%**	**143**	**3.6%**

The FY 2017 Enacted Budget Financial Plan includes approximately $106 million in savings, from the CHP program ($70 million) and HCRA Program account ($36 million), by leveraging enhanced Federal funding for children's health care programs serving populations that meet expanded income thresholds, thus lowering State costs. Growth in FY 2020 for the CHP program is driven mainly by the expirations of enhanced FMAP on September 30, 2019, which will shift a significant portion of support back to State funds.

Annual GPHW spending has been revised in each plan year to reflect recent claiming patterns, and is projected to grow at moderate levels. EPIC program growth reflects increasing pharmaceutical costs which impact Medicare Part D premium payment estimates.

HCRA Program spending is expected to decline in FY 2017, in part through the use of an available fund balance of $15 million in the Excess Medical Malpractice Liability Pool, and through the use of Federal funding sources as described above. From FY 2018 through FY 2020, HCRA Program spending is expected to remain relatively flat.

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. The HCRA authorization was extended through FY 2017, pursuant to legislation included in the FY 2015 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, the NYSOH, 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 closed FY 2016 with a balance of $78 million, which is the result of an advanced deposit of April 2016 revenue into March 2016. This impact is a matter of timing, and will not impact total forecasted HCRA collections through FY 2017.

HCRA FINANCIAL PLAN FY 2016 THROUGH FY 2020
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
OPENING BALANCE	**14**	**78**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,655**	**5,538**	**5,529**	**5,554**	**5,576**
Surcharges	3,118	3,091	3,131	3,191	3,251
Covered Lives Assessment	1,112	1,079	1,045	1,045	1,045
Cigarette Tax Revenue	928	878	847	816	781
Hospital Assessments	397	404	424	424	424
NYC Cigarette Tax Transfer/Other	100	86	82	78	75
TOTAL DISBURSEMENTS	**5,591**	**5,616**	**5,529**	**5,554**	**5,576**
Medicaid Assistance Account[1]	3,523	3,737	3,713	3,708	3,590
Medicaid Costs	*3,326*	*3,540*	*3,516*	*3,511*	*3,393*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	961	952	892	892	892
HCRA Program Account	429	393	408	406	411
Child Health Plus	381	223	234	249	378
Elderly Pharmaceutical Insurance Coverage	137	144	145	140	140
SHIN-NY/APCD	42	30	0	0	0
All Other	118	137	137	159	165
ANNUAL OPERATING SURPLUS/(DEFICIT)	**64**	**(78)**	**0**	**0**	**0**
CLOSING BALANCE	**78**	**0**	**0**	**0**	**0**

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

After adjusting for the timing of receipts deposits advanced to March 2016, as noted above, total HCRA receipts are forecasted to grow moderately in FY 2017 in relation to higher surcharge collections generated from an increase to Upper Payment Limit (UPL) disbursements. The level of annual growth forecasted for HCRA receipts through the multi-year planning period mainly reflects anticipation of increased collections due to expanded health insurance coverage through the ACA, and increases consistent with historic collection patterns. Continued declines for cigarette tax collections, which are attributable to declining taxable consumption, reduces annual HCRA receipts growth.

HCRA spending is expected to total $5.6 billion in FY 2017. The most significant area of spending growth includes additional financing of the State share of Medicaid costs, which is partly offset by a significant decrease in spending for CHP as the availability of Federal resources through the ACA will increase. The Enacted Budget Financial Plan reflects a nonrecurring reduction in HCRA transfers to the Excess Medical Malpractice Liability Pool, which reimburses certain physicians and dentists for a secondary level of medical malpractice insurance coverage, by offsetting the State's FY 2017 subsidy level with existing fund balance availability.

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 the OPWDD, OMH, OASAS, the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs. 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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,646**	**2,571**	**-2.8%**	**3,132**	**21.8%**	**3,494**	**11.6%**	**3,738**	**7.0%**
People with Developmental Disabilities	**2,075**	**2,193**	**5.7%**	**2,362**	**7.7%**	**2,522**	**6.8%**	**2,688**	**6.6%**
Residential Services	1,386	1,465	5.7%	1,578	7.7%	1,685	6.8%	1,796	6.6%
Day Programs	604	638	5.6%	687	7.7%	734	6.8%	782	6.5%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	69	6.2%	74	7.2%	79	6.8%	84	6.3%
Mental Health	**1,135**	**1,191**	**4.9%**	**1,309**	**9.9%**	**1,446**	**10.5%**	**1,502**	**3.9%**
Adult Local Services	917	967	5.5%	1,063	9.9%	1,185	11.5%	1,224	3.3%
Children Local Services	218	224	2.8%	246	9.8%	261	6.1%	278	6.5%
Alcohol and Substance Abuse	**307**	**320**	**4.2%**	**350**	**9.4%**	**371**	**6.0%**	**391**	**5.4%**
Outpatient/Methadone	117	122	4.3%	134	9.8%	142	6.0%	149	4.9%
Residential	123	128	4.1%	140	9.4%	148	5.7%	156	5.4%
Prevention and Program Support	59	61	3.4%	67	9.8%	71	6.0%	75	5.6%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	11	10.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,518**	**3,705**	**5.3%**	**4,022**	**8.6%**	**4,340**	**7.9%**	**4,582**	**5.6%**
Other Adjustments	**(872)**	**(1,134)**	**-30.0%**	**(890)**	**21.5%**	**(846)**	**4.9%**	**(844)**	**0.2%**
Global Cap Adjustment	(867)	(1,092)	-26.0%	(848)	22.3%	(804)	5.2%	(802)	0.2%
Other DOH Offsets	(42)	(42)	0.0%	(42)	0.0%	(42)	0.0%	(42)	0.0%
53rd Medicaid Cycle	37	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 6.8 percent annually. The main factor driving this level of growth is enhancement of community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; maximizing payments from third-party payers; and providing cost-of-living increases and new funding to not-for-profit providers for the minimum wage increase authorized as part of the Enacted Budget agreement.

The Enacted Budget increases local assistance funding for mental hygiene agencies from $3.5 billion in FY 2016 to $3.7 billion in FY 2017. 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; new residential beds opening in OMH; and funding to support a modest 0.2 percent Human Services COLA for not-for-profit providers that deliver services on behalf of OPWDD, OMH and OASAS.

This funding increase is offset by technical adjustments to the Medicaid Global Cap ($225 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources, and recognition of one-time costs in FY 2016 for a 53rd weekly Medicaid Cycle ($37 million). These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

The Enacted Budget Financial Plan also includes updated assumptions to reflect revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the timeframe to disburse funding from BIP. Authorized under the ACA, BIP is an optional program that provides additional Federal funding to qualifying states to encourage the shift from institutional to community services. It is expected that BIP will enable the State to engage a broad network of providers, advocates and community leaders to develop systematic improvements to delivery systems for individuals with intellectual and/or developmental disabilities and individuals with mental illness.

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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,213**	**1,252**	**3.2%**	**1,281**	**2.3%**	**1,299**	**1.4%**	**1,309**	**0.8%**
SSI	641	670	4.5%	679	1.3%	679	0.0%	679	0.0%
Public Assistance Benefits	474	459	-3.2%	474	3.3%	477	0.6%	479	0.4%
Public Assistance Initiatives	7	29	314.3%	27	-6.9%	36	33.3%	36	0.0%
All Other	91	94	3.3%	101	7.4%	107	5.9%	115	7.5%

OTDA Spending in SSI is projected to increase between FY 2016 and FY 2017 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 decline from FY 2016 to FY 2017, with DOB projecting a total of 557,159 recipients in FY 2017. Approximately 238,388 families are expected to receive benefits through the Family Assistance program in FY 2017, a decrease of 2.2 percent from FY 2016. In the Safety Net program an average of 115,259 families are expected to be helped in FY 2017, a decrease of 2.1 percent from FY 2016. The caseload for single adults/childless couples supported through the Safety Net program is projected at 203,512 in FY 2017, an increase of 0.2 percent from FY 2016. Spending in Public Assistance and All Other Initiatives will increase from FY 2016 to FY 2017 due to the implementation of new programs including several to address homelessness. 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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,736**	**1,672**	**-3.7%**	**1,701**	**1.7%**	**1,716**	**0.9%**	**1,738**	**1.3%**
Child Welfare Service	491	448	-8.8%	472	5.4%	482	2.1%	492	2.1%
Foster Care Block Grant	445	445	0.0%	455	2.2%	464	2.0%	472	1.7%
Adoption	152	154	1.3%	154	0.0%	154	0.0%	154	0.0%
Day Care	270	208	-23.0%	185	-11.1%	178	-3.8%	178	0.0%
Youth Programs	111	161	45.0%	154	-4.3%	153	-0.6%	153	0.0%
Medicaid	89	90	1.1%	92	2.2%	92	0.0%	94	2.2%
Committees on Special Education	45	39	-13.3%	41	5.1%	42	2.4%	44	4.8%
Adult Protective/Domestic Violence	35	32	-8.6%	33	3.1%	34	3.0%	34	0.0%
All Other	98	95	-3.1%	115	21.1%	117	1.7%	117	0.0%

OCFS State Operating Funds spending is projected to decline between FY 2016 and FY 2017, primarily due to the use of Federal TANF to maintain funding for child care subsidies. Spending is projected to increase after FY 2018 due to a variety of factors including a projected increase in child welfare services claims and increased costs to fund statutory Human Services COLA increases.

Transportation

In FY 2017, the State will provide approximately $5.0 billion in operating aid to mass transit systems. The aid is funded mainly from dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives 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 now provides additional annual support, subject to appropriation, to the MTA to make up the lost revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,745**	**4,952**	**4.4%**	**5,040**	**1.8%**	**5,097**	**1.1%**	**5,192**	**1.9%**
Mass Transit Operating Aid:	2,160	2,280	5.6%	2,280	0.0%	2,280	0.0%	2,280	0.0%
Metro Mass Transit Aid	2,030	2,152	6.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	86	84	-2.3%	84	0.0%	84	0.0%	84	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	1,851	1,950	5.3%	2,052	5.2%	2,113	3.0%	2,207	4.4%
Dedicated Mass Transit	666	661	-0.8%	651	-1.5%	647	-0.6%	649	0.3%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	-100.0%

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 current receipts forecast.

Beginning in FY 2017, the portion of dedicated mass transit aid that supports capital-related spending will be shifted from State special revenue funds to capital financing sources.

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 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**728**	**715**	**-1.8%**	**763**	**6.7%**	**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	13	0	-100.0%	48	0.0%	48	0.0%	48	0.0%

State Operating Funds spending for AIM efficiency incentive grants will decline from FY 2016 to FY 2017 due to the timing of grants and the use of settlement money appropriated in DIIF for local government purposes.

Agency Operations

Agency operating costs consist of PS, NPS, and General State Charges (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, 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 Department of Transportation (DOT) and the Department of Motor Vehicles (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 CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Negotiated Base Salary Increases[1]					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	TBD	TBD	TBD	TBD
PEF[2]	2%	TBD	TBD	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD
NYSPBA	2%	1.5%	1.5%	TBD	TBD
State Workforce[3]	117,863	118,590	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	18.9%	15.9%	15.5%	15.0%	15.2%
After Amortization[5]	19.3%	19.5%	19.4%	18.8%	18.9%
PFRS Contribution Rate					
Before Amortization[4]	25.5%	25.1%	23.8%	23.3%	23.5%
After Amortization[5]	27.6%	28.7%	27.1%	26.5%	26.7%
Employee/Retiree Health Insurance Growth Rates	4.6%	7.4%	6.0%	6.7%	6.8%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.8%	13.5%	13.7%	13.7%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] The State recently reached a one-year 2% retroactive labor agreement, and a pay bill was subsequently passed by the Legislature.
[3] Reflects workforce that is subject to direct Executive control.
[4] Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP).
[5] After amortization contribution rate includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to grow modestly over the financial plan period from $18.5 billion in FY 2017 to $19.0 billion in FY 2020. Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. The Budget includes costs from collective bargaining agreements, (1.5 percent increases in FYs 2017 and 2018 for NYSPBA), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries.

Excluding the 27th institutional payroll in FY 2016 and certain repayments to NYPA, Executive agency operational costs are expected to total $9.9 billion in FY 2017, slightly lower than FY 2016. In FY 2018 and beyond, spending is expected to increase by $60 to $80 million annually. Agencies with growth include the DOH, attributable to the NYSOH benefit exchange and the new EP program; Corrections; State Police; Gaming; OMH; OPWDD; and OCFS.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,145**	**9,964**	**10,247**	**10,114**	**10,152**
Mental Hygiene	2,824	2,738	2,733	2,775	2,816
Corrections and Community Supervision	2,618	2,622	2,630	2,632	2,640
State Police	693	685	696	696	696
Information Technology Services[1]	506	533	565	577	577
Public Health	403	383	377	377	378
Tax and Finance	336	328	329	329	329
Medicaid Admin/EP	286	340	367	368	376
Children and Family Services	263	245	247	254	254
Environmental Conservation	238	229	229	230	230
Financial Services	202	211	212	212	212
Parks, Recreation and Historic Preservation	181	177	177	175	175
General Services	157	166	166	166	166
Gaming	147	153	158	158	158
Temporary and Disability Assistance	147	130	125	125	125
Workers' Compensation Board	139	137	142	143	145
Extra Bi-Weekly Institutional Pay Period	163	0	0	0	0
New York Power Authority Repayment	21	21	236	22	0
All Other	821	866	858	875	875
UNIVERSITY SYSTEMS	**5,953**	**6,006**	**6,081**	**6,180**	**6,286**
State University	5,866	5,920	5,994	6,092	6,196
City University	87	86	87	88	90
INDEPENDENT AGENCIES	**310**	**319**	**320**	**321**	**324**
Law	169	172	173	174	177
Audit & Control (OSC)	141	147	147	147	147
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,408**	**16,289**	**16,648**	**16,615**	**16,762**
Judiciary	1,959	2,026	2,026	2,051	2,053
Legislature	216	219	219	219	219
Statewide Total	**18,583**	**18,534**	**18,893**	**18,885**	**19,034**
Personal Service	12,981	12,841	12,900	13,020	13,113
Non-Personal Service	5,602	5,693	5,993	5,865	5,921

[1] Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.

The most significant changes include:

- **Medicaid Admin/EP:** Growth in Medicaid Admin/EP reflects the transitioning of certain functions from the local services districts to the State as part of the ongoing statewide Medicaid Admin takeover initiative, and the implementation of the NYSOH health benefit exchange, the State's centralized marketplace for health plan shopping and enrollment in accordance with the ACA.

- **Information Technology Services:** Increases in IT Services from FY 2017 to FY 2020 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.

- **Mental Hygiene:** Lower Mental Hygiene agency spending in FY 2017 is the result of aligning PS and NPS costs to the appropriate fund type.

- **NYPA Repayment:** Annual payments to NYPA are pursuant to funding schedules agreed upon by the State and NYPA, and are consistent with previous Financial Plan assumptions.

- **Extra Biweekly Institutional Pay Period:** There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule had one additional payroll driven by the way the calendar fell.

- **Judiciary:** FY 2017 salary increase for judges, as authorized by the New York State Commission on Legislative, Judicial, and Executive Compensation, will be absorbed within the Judiciary's budget.

- **State University:** Higher SUNY spending reflects anticipated operating needs at SUNY campuses and hospitals supported through campus revenues, State support and hospital revenues.

Workforce

In FY 2017, $12.8 billion or 13.3 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 98,000 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); employees paid on a nonannual 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 2017 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,163**	**98,198**
Mental Hygiene Agencies	2,239	33,825
Corrections and Community Supervision	2,070	28,123
State Police	619	5,608
Tax and Finance	269	4,267
Health	268	3,743
Environmental Conservation	174	2,164
Children and Family Services	162	2,465
Financial Services	154	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	1,076	15,093
University Systems	**3,723**	**43,982**
State University	3,678	43,667
City University[2]	45	315
Independent Agencies	**1,955**	**18,185**
Law	118	1,583
Audit & Control (OSC)	114	1,603
Judiciary	1,557	14,998
Legislature[3]	166	1
Total	**12,841**	**160,365**

[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 13,330 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.[14] The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits that are paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest General Fund reimbursement comes from the mental hygiene agencies.

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,452**	**7,551**	**1.3%**	**8,022**	**6.2%**	**8,302**	**3.5%**	**8,736**	**5.2%**
Fringe Benefits	**7,045**	**7,143**	**1.4%**	**7,622**	**6.7%**	**7,899**	**3.6%**	**8,328**	**5.4%**
Health Insurance	3,463	3,720	7.4%	3,943	6.0%	4,209	6.7%	4,493	6.8%
Employee Health Insurance	2,178	2,343	7.6%	2,484	6.0%	2,651	6.7%	2,831	6.8%
Retiree Health Insurance	1,285	1,376	7.1%	1,459	6.0%	1,557	6.7%	1,663	6.8%
Pensions	2,225	2,352	5.7%	2,463	4.7%	2,445	-0.7%	2,500	2.2%
Social Security	985	966	-2.0%	971	0.6%	979	0.8%	984	0.5%
Worker's Compensation	476	320	-32.8%	432	35.0%	473	9.5%	583	23.3%
Employee Benefits	91	89	-2.2%	90	1.1%	91	1.1%	92	1.1%
Dental Insurance	59	65	10.2%	65	0.0%	65	0.0%	65	0.0%
Unemployment Insurance	15	17	13.3%	17	0.0%	17	0.0%	17	0.0%
All Other/Non-State Escrow	(270)	(385)	-42.6%	(359)	6.8%	(380)	-5.8%	(406)	-6.8%
Fixed Costs	**407**	**408**	**0.2%**	**399**	**-2.1%**	**404**	**1.0%**	**408**	**1.0%**

GSCs are projected to increase at an average annual rate of 4.1 percent over the Financial Plan period, driven primarily by cost increases for pension contributions and the employer share of costs for employee and retiree health insurance benefits.

In FY 2017, State Operating Funds spending is projected to increase by $99 million (1.3 percent). Health insurance increases are due to rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, and price inflation. Pension cost growth reflects the impact of higher graded rates, which increases the State's gross funding liability, and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

[14] 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.

Reducing FY 2017 growth in GSCs from base spending estimates are gap-closing savings of approximately $228 million. The savings are primarily driven by $140 million in lower projected workers' compensation payments, reflecting the use of available reserves which will be transferred directly to SIF; and approximately $79 million in interest savings achieved by paying the full State pension bill in April 2016, rather than on the due date of March 1, 2017.

In addition to the actions described above, fringe benefit and fixed cost spending estimates reflect a mix of increasing costs associated with updated baseline growth in health insurance rate renewals and workers' compensation liabilities, and other downward adjustments which reflect the shift of spending between the SUNY and GSC budgets, and the timing of certain payments from prior years.

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 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**11,376**	**12,160**	**11,375**	**12,005**	**12,156**
State Share of Mental Hygiene Medicaid[1]	**2,036**	**1,437**	**1,325**	**1,301**	**1,236**
Debt Service	**1,196**	**706**	**1,260**	**1,182**	**1,076**
SUNY University Operations	**998**	**996**	**1,001**	**997**	**997**
Capital Projects	**2,721**	**4,461**	**3,019**	**3,399**	**3,311**
Dedicated Highway and Bridge Trust Fund	681	602	711	692	974
Dedicated Infrastructure Investment Fund	857	1,351	1,701	1,700	732
Management of Debt Issuances	0	1,300	(800)	(500)	0
Environmental Protection Fund	23	146	28	28	28
All Other Capital	1,160	1,062	1,379	1,479	1,577
ALL OTHER TRANSFERS	**4,425**	**4,560**	**4,770**	**5,126**	**5,536**
Mental Hygiene	3,195	3,284	3,512	3,882	4,288
Department of Transportation (MTA Payroll Tax)	331	333	334	334	335
SUNY - Medicaid Reimbursement	355	282	282	282	282
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	88	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	66	66	66
Banking Services	52	52	53	53	53
Indigent Legal Services	30	35	35	35	35
Mass Transportation Operating Assistance	21	37	38	38	38
Alcoholic Beverage Control	15	0	0	0	0
Information Technology Services	8	2	2	2	2
Public Transportation Systems	15	15	16	16	16
Correctional Industries	11	11	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	7	5	5	5	5
All Other	118	237	231	217	220

[1] Includes transfers related to the multi-year OPWDD disallowance repayments, including the use of monetary settlement funds for the $850 million upfront repayment.

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 $12.2 billion in FY 2017, a $784 million increase from FY 2016. This growth is primarily due to transfers and uses of settlement money.

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), subject to appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
General Fund	1,196	706	-41.0%	1,260	78.5%	1,182	-6.2%	1,076	-9.0%
Other State Support	4,402	4,497	2.2%	4,997	11.1%	5,589	11.8%	6,156	10.1%
State Operating/All Funds Total	**5,598**	**5,203**	**-7.1%**	**6,257**	**20.3%**	**6,771**	**8.2%**	**7,232**	**6.8%**

Total State Operating/All Funds debt service is projected at $5.2 billion in FY 2017, of which approximately $706 million is paid from the General Fund via transfers, and $4.5 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 State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds. Additional information on the different types of State-supported bonds, including the sources of payment for debt service, is provided in the "Capital Program and Financing Plan" section of the AIS.

The FY 2017 Enacted Budget Financial Plan estimates for debt service spending 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 2016 reflected prepayments of about $710 million due during FY 2017, and FY 2017 debt service spending estimates assume the prepayment of $60 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. The Financial Plan projections for FY 2017 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% 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.

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2017 THROUGH FY 2020
(millions of dollars)

	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:				
Withholdings	38,356	39,802	41,056	43,158
Estimated Payments	16,106	17,805	17,194	18,244
Final Payments	2,720	2,891	3,034	3,168
Other Payments	1,358	1,397	1,457	1,521
Gross Collections	58,540	61,895	62,741	66,091
State/City Offset	(688)	(688)	(688)	(589)
Refunds	(8,388)	(9,452)	(10,319)	(11,759)
Reported Tax Collections	49,464	51,755	51,734	53,743
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	49,464	51,755	51,734	53,743
Sales and Use Tax	13,870	14,573	15,192	15,780
Cigarette and Tobacco Taxes	1,226	1,192	1,151	1,105
Motor Fuel Tax	494	491	486	483
Alcoholic Beverage Taxes	258	263	268	273
Medical Marihuana Excise Tax	4	4	4	4
Highway Use Tax	84	138	140	141
Auto Rental Tax	128	135	142	149
Taxicab Surcharge	70	70	70	70
Gross Utility Taxes and Fees	16,134	16,866	17,453	18,005
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	16,134	16,866	17,453	18,005
Corporation Franchise Tax	4,483	4,780	4,822	5,222
Corporation and Utilities Tax	738	732	744	754
Insurance Taxes	1,477	1,572	1,701	1,784
Bank Tax	203	190	143	71
Petroleum Business Tax	1,093	1,049	1,038	1,032
Business Taxes	7,994	8,323	8,448	8,863
Estate Tax	1,024	949	912	963
Real Estate Transfer Tax	1,138	1,204	1,258	1,308
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	3	3	3	3
Gross Other Taxes	2,183	2,174	2,191	2,292
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,183	2,174	2,191	2,292
Payroll Tax	1,353	1,416	1,485	1,562
Total Taxes	77,128	80,534	81,311	84,465
Licenses, Fees, Etc.	609	661	634	666
Abandoned Property	525	525	525	525
Motor Vehicle Fees	1,354	1,415	1,435	1,440
ABC License Fee	63	60	66	62
Reimbursements	298	298	280	303
Investment Income	10	13	8	8
Other Transactions	20,708	22,903	22,360	21,798
Miscellaneous Receipts	23,567	25,875	25,308	24,802
Federal Receipts	51,651	52,733	53,490	54,512
Total	152,346	159,142	160,109	163,779

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	47,752	8,214	19,866	75,832
Miscellaneous Receipts	2,813	15,465	455	18,733
Federal Receipts	0	1	73	74
Total Receipts	50,565	23,680	20,394	94,639
Disbursements:				
Local Assistance Grants	45,957	18,932	0	64,889
Departmental Operations:				
Personal Service	6,054	6,787	0	12,841
Non-Personal Service	2,245	3,409	39	5,693
General State Charges	5,425	2,126	0	7,551
Debt Service	0	0	5,203	5,203
Capital Projects	0	3	0	3
Total Disbursements	59,681	31,257	5,242	96,180
Other Financing Sources (Uses):				
Transfers from Other Funds	18,411	7,853	3,262	29,526
Transfers to Other Funds	(12,160)	(698)	(18,325)	(31,183)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,251	7,155	(15,063)	(1,657)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,865)	(422)	89	(3,198)
Closing Fund Balance	6,069	3,125	249	9,443

Source: NYS DOB.

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
Receipts:				
Taxes	50,311	8,057	20,840	79,208
Miscellaneous Receipts	2,486	15,581	465	18,532
Federal Receipts	0	1	73	74
Total Receipts	52,797	23,639	21,378	97,814
Disbursements:				
Local Assistance Grants	49,086	18,799	0	67,885
Departmental Operations:				
Personal Service	6,097	6,803	0	12,900
Non-Personal Service	2,558	3,386	49	5,993
General State Charges	5,824	2,198	0	8,022
Debt Service	0	0	6,257	6,257
Capital Projects	0	2	0	2
Total Disbursements	63,565	31,188	6,306	101,059
Other Financing Sources (Uses):				
Transfers from Other Funds	18,640	8,044	3,976	30,660
Transfers to Other Funds	(11,375)	(205)	(18,940)	(30,520)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,265	7,839	(14,964)	140
Use (Reservation) of Fund Balance:				
Monetary Settlements	902	0	0	902
Programmed	902	0	0	0
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	902	0	0	902
Adherence to 2% Spending Benchmark*	2,956	0	0	2,956
Net Surplus (Deficit)	355	290	108	753

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,679	8,128	21,182	79,989
Miscellaneous Receipts	2,455	15,809	461	18,725
Federal Receipts	0	1	73	74
Total Receipts	53,134	23,938	21,716	98,788
Disbursements:				
Local Assistance Grants	51,650	19,092	0	70,742
Departmental Operations:				
Personal Service	6,135	6,885	0	13,020
Non-Personal Service	2,364	3,452	49	5,865
General State Charges	6,033	2,269	0	8,302
Debt Service	0	0	6,771	6,771
Capital Projects	0	0	0	0
Total Disbursements	66,182	31,698	6,820	104,700
Other Financing Sources (Uses):				
Transfers from Other Funds	18,378	8,319	3,821	30,518
Transfers to Other Funds	(12,005)	(215)	(18,625)	(30,845)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,373	8,104	(14,804)	(327)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,200	0	0	1,200
Programmed	1,200	0	0	1,200
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	1,200
Adherence to 2% Spending Benchmark*	4,634	0	0	4,634
Net Surplus (Deficit)	(841)	344	92	(405)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,943	8,188	22,011	83,142
Miscellaneous Receipts	2,318	15,651	459	18,428
Federal Receipts	0	1	73	74
Total Receipts	55,261	23,840	22,543	101,644
Disbursements:				
Local Assistance Grants	54,496	19,067	0	73,563
Departmental Operations:				
Personal Service	6,189	6,924	0	13,113
Non-Personal Service	2,451	3,421	49	5,921
General State Charges	6,417	2,319	0	8,736
Debt Service	0	0	7,232	7,232
Capital Projects	0	0	0	0
Total Disbursements	69,553	31,731	7,281	108,565
Other Financing Sources (Uses):				
Transfers from Other Funds	18,820	8,520	3,837	31,177
Transfers to Other Funds	(12,156)	(216)	(18,939)	(31,311)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,664	8,304	(15,102)	(134)
Use (Reservation) of Fund Balance:				
Monetary Settlements	731	0	0	731
Programmed	731	0	0	731
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	731
Adherence to 2% Spending Benchmark*	6,498	0	0	6,498
Net Surplus (Deficit)	(399)	413	160	174

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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 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	47,752	8,214	1,296	19,866	77,128
Miscellaneous Receipts	2,813	15,681	4,618	455	23,567
Federal Receipts	0	49,416	2,162	73	51,651
Total Receipts	50,565	73,311	8,076	20,394	152,346
Disbursements:					
Local Assistance Grants	45,957	64,737	4,203	0	114,897
Departmental Operations:					
Personal Service	6,054	7,442	0	0	13,496
Non-Personal Service	2,245	4,635	0	39	6,919
General State Charges	5,425	2,445	0	0	7,870
Debt Service	0	0	0	5,203	5,203
Capital Projects	0	3	7,717	0	7,720
Total Disbursements	59,681	79,262	11,920	5,242	156,105
Other Financing Sources (Uses):					
Transfers from Other Funds	18,411	7,853	4,758	3,262	34,284
Transfers to Other Funds	(12,160)	(2,417)	(1,457)	(18,325)	(34,359)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	6,251	5,436	3,910	(15,063)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,865)	(515)	66	89	(3,225)
Closing Fund Balance	6,069	3,092	(825)	249	8,585

Source: NYS DOB.

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
Receipts:					
Taxes	50,311	8,057	1,326	20,840	80,534
Miscellaneous Receipts	2,486	15,797	7,127	465	25,875
Federal Receipts	0	50,567	2,093	73	52,733
Total Receipts	52,797	74,421	10,546	21,378	159,142
Disbursements:					
Local Assistance Grants	49,086	65,568	4,846	0	119,500
Departmental Operations:					
Personal Service	6,097	7,459	0	0	13,556
Non-Personal Service	2,558	4,594	0	49	7,201
General State Charges	5,824	2,522	0	0	8,346
Debt Service	0	0	0	6,257	6,257
Capital Projects	0	2	8,075	0	8,077
Total Disbursements	63,565	80,145	12,921	6,306	162,937
Other Financing Sources (Uses):					
Transfers from Other Funds	18,640	8,044	3,148	3,976	33,808
Transfers to Other Funds	(11,375)	(2,081)	(1,506)	(18,940)	(33,902)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	7,265	5,963	2,370	(14,964)	634
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	0	0
Monetary Settlements	902	0	0	0	902
Programmed	902	0	0	0	902
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	902	0	0	0	902
Adherence to 2% Spending Benchmark*	2,956	0	0	0	2,956
Net Surplus (Deficit)	355	239	(5)	108	697

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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 2019
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,679	8,128	1,322	21,182	81,311
Miscellaneous Receipts	2,455	16,025	6,367	461	25,308
Federal Receipts	0	51,326	2,091	73	53,490
Total Receipts	53,134	75,479	9,780	21,716	160,109
Disbursements:					
Local Assistance Grants	51,650	66,652	4,386	0	122,688
Departmental Operations:					
Personal Service	6,135	7,548	0	0	13,683
Non-Personal Service	2,364	4,639	0	49	7,052
General State Charges	6,033	2,597	0	0	8,630
Debt Service	0	0	0	6,771	6,771
Capital Projects	0	0	7,992	0	7,992
Total Disbursements	66,182	81,436	12,378	6,820	166,816
Other Financing Sources (Uses):					
Transfers from Other Funds	18,378	8,319	3,527	3,821	34,045
Transfers to Other Funds	(12,005)	(2,041)	(1,479)	(18,625)	(34,150)
Bond and Note Proceeds	0	0	531	0	531
Net Other Financing Sources (Uses)	6,373	6,278	2,579	(14,804)	426
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	0	0	1,200
Programmed	1,200	0	0	0	1,200
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	0	1,200
Adherence to 2% Spending Benchmark*	4,634	0	0	0	4,634
Net Surplus (Deficit)	(841)	321	(19)	92	(447)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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	52,943	8,188	1,323	22,011	84,465
Miscellaneous Receipts	2,318	15,867	6,158	459	24,802
Federal Receipts	0	52,292	2,147	73	54,512
Total Receipts	55,261	76,347	9,628	22,543	163,779
Disbursements:					
Local Assistance Grants	54,496	67,662	4,143	0	126,301
Departmental Operations:					
Personal Service	6,189	7,589	0	0	13,778
Non-Personal Service	2,451	4,627	0	49	7,127
General State Charges	6,417	2,648	0	0	9,065
Debt Service	0	0	0	7,232	7,232
Capital Projects	0	0	7,568	0	7,568
Total Disbursements	69,553	82,526	11,711	7,281	171,071
Other Financing Sources (Uses):					
Transfers from Other Funds	18,820	8,520	3,415	3,837	34,592
Transfers to Other Funds	(12,156)	(1,888)	(1,711)	(18,939)	(34,694)
Bond and Note Proceeds	0	0	365	0	365
Net Other Financing Sources (Uses)	6,664	6,632	2,069	(15,102)	263
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	0	0	731
Programmed	731	0	0	0	731
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	0	731
Adherence to 2% Spending Benchmark	6,498	0	0	0	6,498
Net Surplus (Deficit)	(399)	453	(14)	160	200

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 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 2017
(dollars in millions)

	2016 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,864	7,460	8,186	7,836	7,187	10,815	9,626	7,607	10,722	11,734	11,696	8,934
RECEIPTS:													
Personal Income Tax	4,764	1,778	3,455	1,960	2,286	3,782	1,684	1,947	3,726	3,217	2,605	2,666	33,870
Consumption/Use Taxes	541	528	670	571	544	684	554	555	715	584	468	673	7,087
Business Taxes	158	67	864	96	72	972	88	106	1,159	167	99	1,902	5,750
Other Taxes	74	88	89	88	89	89	89	88	88	88	88	87	1,045
Total Taxes	5,537	2,461	5,078	2,715	2,991	5,527	2,415	2,696	5,688	4,056	3,260	5,328	47,752
Abandoned Property	0	0	0	0	0	20	25	120	25	40	20	275	525
ABC License Fee	5	5	6	6	5	6	6	5	5	5	5	4	63
Investment Income	2	1	1	1	1	1	1	1	1	1	1	(2)	10
Licenses, Fees, etc.	22	45	55	45	55	65	40	50	65	45	60	62	609
Motor Vehicle Fees	17	16	15	16	20	18	15	14	12	13	13	14	183
Reimbursements	8	2	55	10	8	55	3	20	50	14	30	43	298
Other Transactions	32	388	58	31	32	212	33	56	78	56	32	117	1,125
Total Miscellaneous Receipts	86	457	190	109	121	377	123	266	236	174	161	513	2,813
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,587	575	1,291	482	293	1,535	563	373	1,284	506	644	1,766	10,899
Tax in Excess of LGAC	243	71	476	254	210	313	251	251	332	264	3	200	2,868
Sales Tax Bond Fund	193	188	254	201	195	282	192	192	273	205	156	316	2,647
Real Estate Taxes in Excess of CW/CA Debt Service	84	74	69	73	83	89	89	78	81	93	79	59	951
All Other	5	35	1	1	1	54	6	1	1	36	99	806	1,046
Total Transfers from Other Funds	2,112	943	2,091	1,011	782	2,273	1,101	895	1,971	1,104	981	3,147	18,411
TOTAL RECEIPTS	7,735	3,861	7,359	3,835	3,894	8,177	3,639	3,857	7,895	5,334	4,402	8,988	68,976
DISBURSEMENTS:													
School Aid	754	3,140	1,616	127	998	1,208	924	1,702	1,881	814	482	7,455	21,101
Higher Education	19	6	654	249	134	192	350	46	210	40	362	769	3,031
All Other Education	52	182	541	235	39	294	119	30	187	45	105	488	2,317
Medicaid - DOH	1,008	1,088	1,067	774	1,075	577	1,074	1,284	721	959	986	2,070	12,683
Public Health	20	221	59	47	37	45	52	36	70	38	56	63	744
Mental Hygiene	3	1	241	2	2	234	2	1	264	12	53	181	996
Children and Families	27	97	231	97	97	231	97	97	231	97	129	237	1,668
Temporary & Disability Assistance	95	99	157	100	99	99	99	99	99	99	99	108	1,252
Transportation	0	24	10	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	0	0	98	7	0	186	0	0	63	754
All Other	10	(51)	222	41	46	39	(18)	196	185	201	199	235	1,305
Total Local Assistance Grants	1,988	4,818	5,187	1,672	2,551	3,017	2,706	3,515	4,045	2,305	2,484	11,669	45,957
Personal Service	475	465	597	454	465	541	458	595	470	456	454	624	6,054
Non-Personal Service	103	138	147	157	170	201	176	183	185	190	192	403	2,245
Total Departmental Operations	578	603	744	611	635	742	634	778	655	646	646	1,027	8,299
General State Charges	2,440	173	291	385	269	194	455	298	76	456	151	237	5,425
Debt Service	245	0	(3)	153	(3)	(71)	103	0	(2)	330	(20)	(26)	706
Capital Projects	162	293	(1)	602	487	498	179	431	(198)	405	1,013	590	4,461
State Share Medicaid	95	139	101	108	118	115	117	154	118	155	116	101	1,437
SUNY Operations	213	213	213	179	0	0	0	179	0	0	0	(1)	996
Other Purposes	84	1,026	101	475	486	54	634	521	86	25	50	1,018	4,560
Total Transfers to Other Funds	799	1,671	411	1,517	1,088	596	1,033	1,285	4	915	1,159	1,682	12,160
TOTAL DISBURSEMENTS	5,805	7,265	6,633	4,185	4,543	4,549	4,828	5,876	4,780	4,322	4,440	14,615	71,841
Excess/(Deficiency) of Receipts over Disbursements	1,930	(3,404)	726	(350)	(649)	3,628	(1,189)	(2,019)	3,115	1,012	(38)	(5,627)	(2,865)
CLOSING BALANCE	10,864	7,460	8,186	7,836	7,187	10,815	9,626	7,607	10,722	11,734	11,696	6,069	6,069

Source: NYS DOB.

Annual Information Statement

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a brief summary of certain provisions of the Agreement. Such summary does not purport to be complete and reference is made to the Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

General Obligation

The provisions of the Agreement shall be deemed executory to the extent of moneys available in the Health Income Fund and no monetary liability on account of the Agreement shall be incurred by the Department beyond moneys legally available in the Health Income Fund.

(Section 2.01)

Authority's Obligations Are Executory

The provisions of the Agreement requiring the expenditure of moneys by the Authority shall also be deemed executory only to the extent that the Authority shall have moneys derived from the proceeds of the sale of Bonds or other sources provided by the Department, and no liability on account thereof shall be incurred by the Authority beyond moneys legally available from such sources.

(Section 2.02)

Covenants for Benefit of Holders of Bonds

The Agreement is executed in part to induce the purchase by others of the Bonds and accordingly all covenants and agreements on the part of the Department and the Authority as set forth in the Agreement are thereby declared to be for the benefit of the Holders from time to time of the Bonds.

(Section 2.03)

Construction of Projects

The Authority agrees that it will prepare or cause to be prepared the Plans and Specifications for each Project and it will acquire, construct, reconstruct, rehabilitate or otherwise provide or cause to be acquired, constructed, reconstructed, rehabilitated or otherwise provided the Projects substantially in accordance with the Plans and Specifications. The Authority agrees that it will use its best efforts to cause such acquisition, construction, reconstruction, rehabilitation and provision to be completed as soon as may be practicable, delays incident to strikes, riots, acts of God, the public enemy or any delay beyond its reasonable control only excepted; but if for any reason such acquisition, construction, reconstruction, rehabilitation and provision is delayed there shall be no resulting liability on the part of the Authority and no diminution in or postponement of the amounts payable under the Agreement by the Department.

The Authority shall be responsible for the letting of contracts for the design, acquisition, construction, reconstruction, rehabilitation and provision of each Project and the furnishing or equipping thereof, supervision of construction, acceptance of the completed Projects or parts thereof, and all other matters incidental to performance of the duties and powers expressly granted in the Agreement to the Authority in connection therewith. Copies of such contracts, the Plans and Specifications and each modification thereof shall be sent to the Department promptly upon the Department's request therefor.

Contracts in connection with the acquisition, construction, reconstruction, rehabilitation and provision of each Project and the furnishing or equipping thereof shall be let in accordance with applicable law, including specifically Section 135 of the State Finance Law.

The Authority makes no warranties or representations and accepts no liabilities or responsibilities with respect to or for the adequacy, sufficiency or suitability of or defects in the Plans and Specifications or any contracts or agreements with respect to the acquisition, construction, reconstruction, rehabilitation or provision of any Project or the furnishing and equipping thereof.

(Section 3.01)

Construction Costs

Under the Resolution, the Authority is authorized to, and shall, make payments from the Construction Fund to pay the Costs of the Project or to reimburse the Department for Costs paid by the State upon execution by the Authority of a requisition signed by an Authorized Officer of the Department filed with the Authority, stating with respect to each payment to be made (i) the Project in connection with which payment is to be made, (ii) the names of the payees, (iii) the purpose for which such payment is to be made in terms sufficient for identification, (iv) the respective amount of each such payment, and (v) that such purpose constitutes a proper purpose for which moneys in the Construction Fund may be applied and has not been the basis of any previous withdrawal from the Construction Fund.

The Authority agrees to certify, annually, to the Department and to the Division of the Budget of the State of New York the amount, if any, estimated by the Authority at the time of such certification as necessary to pay all unpaid Costs of the Project, which is in excess of the amount then on deposit in the Construction Fund and available to pay such Costs. The Department agrees that if the proceeds received by the Authority from Bonds and allocated to pay Costs of the Project, and together with other funds on deposit in the Construction Fund to pay such Costs, are not sufficient to pay all of such Costs, the Authority shall so certify to the Department. Upon receipt of any such certification, the Department shall be obligated to pay to the Authority, promptly upon demand therefor, but only from moneys in the Health Income Fund, an amount sufficient to allow the Authority to complete the providing of the Project and to pay all such Costs in connection therewith.

(Section 3.02)

Operation, Maintenance, Repair and Replacement

The Department, at its expense, shall hold, operate, maintain, repair and replace each Project and its equipment in a careful and prudent manner and keep each Project and its equipment in a clean and orderly fashion. The cost of operating and maintaining the Project shall include, but shall not be limited to, all expenses of furnishing steam, hot and cold water, electricity, gas, oil, coal or other fuel, sewage and all other utility services required for the Project, real property taxes and assessments and water and sewer rents on the Project, if any.

Except as otherwise provided for by the Agreement, the Department and the Authority shall make available to pay the cost of repairs and replacements of a Project and its equipment (i) the proceeds of insurance or condemnation, if any, received by the Department by reason of the damage necessitating such repairs or replacements and (ii) to the extent permitted by the Resolution, moneys available from the Building and Equipment Reserve Fund.

Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to the Resolution to pay the cost of repairs and replacements of a Project and its equipment shall be repaid by the Department in ten (10) equal semiannual payments payable on November 15 and May 15 in accordance with the Agreement commencing on the May 15 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made. Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to the Resolution to pay debt service on Bonds shall be repaid by the Department in two (2) equal semi-annual payments payable on November 15 and May 15 in accordance with the Agreement commencing on the November 15 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made.

(Section 3.03)

Amendment of Project

The Authority and the Department agree that each part of the Project has been the subject of legislation or an appropriation by the Legislature of the State of New York as a specific facility and that, while the Project or parts thereof may be amended from time to time with change-orders during the period of construction, no such amendment or change-order will be made to the Project or a part thereof which would have the effect of materially changing the character, nature or purpose thereof from the specific facility which was intended by the State Legislature to be provided by the Authority in such legislation or appropriation. Nothing in the Agreement shall prevent the Project from being amended to include additional facilities or to increase the scope thereof so long as moneys required to make any such increase shall be available to the Authority from a source other than Bonds.

(Section 3.04)

Use of Project

The Department agrees that, unless in the opinion of Bond Counsel the use or occupancy of the Project or part thereof other than as required by the Agreement would not adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation and is not prohibited by the Act or other provision of law, the Project shall be occupied or used only by the Department. The Authority agrees that the Parking Garage shall be occupied or used only as authorized or permitted by law and for purposes for which the Authority is authorized to undertake and finance capital facilities.

(Section 3.05)

Restrictions on Religious Use

The Department agrees that with respect to the Project or portion thereof, so long as the Project or portion thereof exists and unless and until the Project or portion thereof is sold for the fair market value thereof, the Project or any portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time after the date of the Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as an Authorized Officer of the Authority deems necessary to determine whether the Project or any portion of real property thereof financed by Bonds is being used for any purpose proscribed by the Agreement. The Department under the Agreement further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of the Project to the restriction that (i) so long as such portion of such Project (and, if included in such Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the insistence of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of such Project, or, if included in the Project, the real property on or in which such portion is situated, to be used without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this paragraph an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 3.06)

Grant Requisitions and Deposit of Proceeds

The Department agrees that it shall make, within five (5) days of receipt of written notice from the Authority, a requisition to the appropriate agency or officer of the United States of America, the State of New York or any other governmental agency, private agency, fund or corporation, for moneys payable to the Department in accordance with any grant agreement made by and between the Department and any of such other parties providing financial aid in connection with the planning, designing, acquiring, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping the Project or financing the same. The Department agrees to pay to the Authority all moneys received pursuant to any such grant agreement. All moneys received by the Authority pursuant to Section 3.07 of the Agreement, whether paid by the Department or directly paid to the Authority shall be deposited: (i) in the case of a construction grant agreement in aid of the payment of capital costs, to the Authority for deposit in the Construction Fund to the account of the Project; (ii) in the case of a debt service or interest subsidy grant agreement in aid of the payment of interest on or principal of the Bonds, or both, in the Debt Service Fund to the credit of the appropriate account or accounts therein; and (iii) in the case of any other grant agreement, to such fund or account maintained by the Authority or the Trustee, as the case may be, as shall best assure compliance with the provisions of the particular grant agreement.

(Section 3.07)

Abandonment of Project

If the Authority is required for any reason to abandon the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing and furnishing and equipping of any part or portion of the Project, or if the Department shall fail to operate or shall cease to operate any part or portion of the Project, or if the Project is amended by Supplemental Agreement to withdraw any part or portion of the Project (any of which events is called an "abandonment" in the Agreement), it is agreed that:

1. An Authorized Officer of the Authority shall prepare and execute a certificate which shall be delivered to the Trustee and the Department and which shall state the following:

(a) The total Cost of the Project, or if the Project shall not have been completed, the total estimated Cost thereof.

(b) The total Cost of the part or portion to be abandoned or, if such part or portion shall not have been completed, the total estimated Costs thereof.

(c) The amount of Costs incurred by the Authority with respect to such part or portion and the remaining unpaid amount plus the amount of any other expenses and liabilities incurred by the Authority by reason of its undertaking such part or portion and remaining unpaid amount.

(d) The product which results when the total amount of Bonds then Outstanding is multiplied by the quotient resulting when the amount certified pursuant to item (b) above is divided by the amount certified pursuant to item (a) above, which product shall be rounded to the next highest $5,000.

(e) The amount required to be deposited with the Trustee in order to deem paid (within the meaning of the Resolution), in inverse order of maturity, Bonds Outstanding in the aggregate principal amount of the product specified pursuant to item (d) above.

(f) The amount, if any, which such Authorized Officer in his sole discretion shall determine to be then available in the Construction Fund to pay Costs of such part or portion and other expenses and liabilities incurred by the Authority by reason of its undertaking of such part or portion and not needed to pay Costs of any other part or portion of the Project or to make any other payment permitted by the Resolution.

(g) The amount of money required to be paid to the Federal government pursuant to the terms of any Federal grant relating to the Project.

2. The Department shall pay from moneys in the Health Income Fund to the Authority the amount certified pursuant to item (c) of paragraph (1) above for deposit to the Construction Fund.

3. The Department shall pay from moneys in the Health Income Fund to the Trustee the amount certified pursuant to item (e) of paragraph (1) above and the amount of money in the Construction Fund, if any, credited against the payment required by this paragraph (3) for deposit to the Debt Service Fund.

The Department shall pay upon appropriation by the State Legislature to the Federal government the amount certified pursuant to item (g) of paragraph (1) above.

Notwithstanding the foregoing, the amount certified pursuant to item (f) of paragraph (1) above shall be credited against the sum of the amounts required to be paid by paragraphs (2) and (3) above.

Upon the prior written consent of the Director of the Budget of the State, a Project may be sold for such amount and upon such terms as the Authority and the Department may agree. The proceeds of such sale, up to the principal amount of Outstanding Bonds issued in connection with such Project plus the premium payable and interest accrued thereon, if any, on the first date after the sale on which such Bonds can be redeemed at the election of the Authority, remaining after deducting therefrom (i) the costs and expenses incurred in connection with such sale and (ii) the Costs of such Project and any other expenses, liabilities of and moneys owed to the Authority by reason of its undertaking to provide such Project, shall be paid to the Authority for deposit to the credit of the Construction Fund or applied to the redemption of Outstanding Bonds issued in connection with such Project, in accordance with the written direction of an Authorized Officer of the Authority, except that such amount may, with the prior written consent of the Authority, which consent shall not be unreasonably withheld or delayed, be used by the Department for any other purpose unless in the opinion of Bond Counsel such use would adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of federal income taxation. In lieu of paying such proceeds to the Authority for the redemption of Bonds, there may be paid to the Authority an amount sufficient to purchase Defeasance Securities the principal of and interest on which, when due, will provide moneys which, together with the moneys, if any, paid to the Authority at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price and interest due and to become due on an aggregate principal amount of the Bonds equal to the amount required to be paid to the Authority pursuant to the immediately preceding sentence.

(Sections 3.08, 3.09 and 3.11)

Loss of Use of a Project

In case a Project or part thereof is taken by eminent domain or condemnation, or damaged or destroyed, then and in such event:

(a) if, within one hundred and twenty (120) days from the occurrence, the Department notifies the Authority in writing of its intention to replace or restore such Project, the Department shall proceed to replace or restore such Project, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such replacement or restoration shall be paid from the proceeds of any condemnation award or insurance received by reason of such occurrence, and to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or from moneys to be provided by the Department; or

(b) if the Authority has not within such one hundred and twenty (120) day period been notified in writing of the intention of the Department to restore or replace such Project or if the Department determines not to restore or replace such Project, the Authority in its discretion may determine that such Project has been abandoned. In such event, the proceeds of any condemnation award or insurance received by reason of such occurrence shall be applied and paid in the same manner and order of priority as provided for the proceeds of the sale of such Project pursuant to the Agreement.

(Section 3.12)

License for Construction

The Department grants to the Authority a license to enter upon and over each Project, the land upon which each Project is located and any land adjacent thereto for the purpose of constructing, reconstructing, rehabilitating or otherwise providing the Projects and for the repair and renovation thereof, which license shall not terminate until the earlier of the date on which the Agreement terminates and ninety-nine years from the date of the Agreement.

(Section 3.13)

Right of Inspection

The Authority shall have the right to enter upon, inspect and examine each Project at any reasonable time upon prior notice to the Department; provided that no such notice shall be required if the Authority in its sole judgment determines that such inspection is to be made because of the existence of a situation which poses an imminent danger to the public or the occupants of a Project or which otherwise constitutes an emergency. The Department or its agents or representatives shall have the right to enter upon, inspect and examine the Parking Garage at any time during reasonable hours.

(Section 3.14)

Compliance with Laws and Regulations

In the performance of its obligations under the Agreement, the Department shall comply with all applicable laws, regulations, and rules of the Government of the United States of America and the State of New York, the rules and regulations of the National Board of Fire Underwriters and any requirement of an insurance company relating to a Project so long as such company is writing insurance on such Project.

In connection with the operation, maintenance, repair and replacement of the Parking Garage, the Authority shall comply with all applicable ordinances and laws of the Government of the United States of America or the State of New York in which the Parking Garage or any part thereof is located, and any requirement relating to the Parking Garage of an insurance company which is writing insurance on such part of the Project.

(Section 3.16)

Issuance of Bonds; Purposes

The Authority agrees to use its best efforts to authorize, issue, sell and deliver the Bonds, in accordance with the provisions of the Resolution, in aggregate principal amounts which, together with other moneys available therefor, are sufficient to pay the Costs of the Project. In addition to providing for the Costs of the Project, it is understood that the Resolution provides, and it is agreed, that the Authority may issue Bonds for one or more or the following purposes: (i) paying the Costs of Issuance of Bonds, (ii) making payments to the Comptroller for deposit to the Health Income Fund, (iii) making deposits to the Building and Equipment Reserve Fund, and (iv) refunding Bonds or other notes or bonds of the Authority issued in connection with the Project.

(Section 4.01)

Investment of Moneys in the Health Income Fund

Moneys in the Health Income Fund not required for immediate use may, in the discretion of the Comptroller, be invested by the Comptroller but only in obligations of or guaranteed as to principal and interest by the United States of America. Interest earned, profits realized and losses suffered by reason of any such investment of such moneys shall be credited or charged, as the case may be, to the Health Income Fund.

(Section 4.02)

Obligations of Department; Executory Provision

Except to the extent paid from other sources, the Department promises to pay to or upon the order of the Authority, at or before the time when payable by the Authority, but only from moneys and investments in the Health Income Fund, all Costs and liabilities incurred by the Authority on account of its providing of financing for the Project, issuance by the Authority of its Bonds or otherwise as a result of the transactions contemplated by the Agreement or the Resolution, including, without limitation, in each Bond Year to pay to or upon the order of the Authority, the Annual Administrative Fee.

The Department shall not be obligated (within the meaning of Section 409(2)(c) of the Public Health Law) to pay Annual Payments, to make any other payments contemplated to be made by the Agreement (except payments into the Health Income Fund) or to perform any other duty under the Agreement requiring the expenditure of money (collectively called the "Payment Obligations") until moneys and investments to meet such Payment Obligations are on deposit in the Health Income Fund. So long as moneys and investments on deposit in the Health Income Fund are at least sufficient to meet all Payment Obligations contemplated by the Agreement to be made during the next succeeding six calendar months from the date of calculation, it is agreed that any amount in excess of such amount may be paid by the Comptroller to the Health Services Fund in accordance with Section 409 of the Public Health Law. If, however, at any time the moneys and investments in the Health Income Fund are less than the amount needed to meet all Payment Obligations contemplated by the Agreement to be made during the next succeeding six calendar months and there is no excess to be paid to the Health Services Fund, the Department shall nevertheless continue to cause all Payment Obligations to be made by the Comptroller as they become due to the extent that there are moneys and investments in the Health Income Fund. The Department shall also be obligated, to the extent that moneys are from time to time being deposited in the Health Income Fund, to accumulate moneys and investments therein until the Department is current in making all Payment Obligations contemplated by the Agreement and there is also on deposit in the Health Income Fund an amount at least sufficient to meet all Payment Obligations contemplated by the Agreement to be made during the next succeeding six calendar months from the date of calculation.

Although the Department is obligated to make Payment Obligations only to the extent that amounts are on deposit in the Health Income Fund, the Department may nevertheless make such Payment Obligations from any other source if moneys are legally available for such purpose. If the Department is not able to make a Payment Obligation because of insufficient funds in the Health Income Fund and other moneys are not legally available to the Department for such purpose, the Department agrees that it will bring this matter to the attention of the appropriate officials of the State of New York in an attempt to obtain the funds necessary to make any unpaid Payment Obligation.

Subject only to the executory provisions relating to the Department contained in the Agreement and the availability of moneys in the Health Income Fund, the obligation of the Department to make Annual Payments and other payments required by the Agreement or to cause the same to be made shall be absolute and unconditional and the amount (except to the extent the Department may receive a credit therefor under the Agreement and Resolution), manner and time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any rights of set-off, recoupment or counterclaim the Department may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Authority to complete the Project or the completion thereof with defects, failure of the Department to occupy or use the Project, any damage or destruction or condemnation of all or part of the Project, any abandonment of the Project, any declaration or finding that the Bonds, the Agreement or the Resolution are invalid or unenforceable, or any other failure or default by the Authority or the Trustee.

(Section 5.01)

Health Income Fund Covenants

As security for the payment of the Annual Payments, the Department agrees as follows:

(a) to cause the Comptroller to establish, maintain and deposit the moneys into the Health Income Fund in accordance with Section 409 of the Public Health Law and to comply with the provisions of paragraphs (c) and (d) of subsection 2 of such Law, all as the same may be amended from time to time;

(b) to pay or to cause the Commissioner to pay over, at least every two weeks, the moneys received by the Department for the care, maintenance and treatment of patients at State hospitals of the Department as enumerated in Section 403 of the Public Health Law, as the same may be amended from time to time (including revenues and grants received from the State of New York and the United States of America with respect to the Medicaid program, from the United States of America with respect to the Medicare program, from the appropriate Blue Cross-Blue Shield plan and from any other third party payer), together with moneys received from fees, including parking fees, refunds, reimbursements, sales of property and miscellaneous receipts of such hospitals (other than gifts, grants, bequests and moneys received under research contracts) and less refunds made pursuant to Law, to the Comptroller for deposit in the Health Income Fund; and

(c) to cause the Commissioner or an officer or employee of the Department designated by the Commissioner to certify or approve the necessary and appropriate vouchers in order to permit the Comptroller to make the necessary audit and warrant in order to pay moneys from the Health Income Funds, all in accordance with Section 409(4) of the Public Health Law.

(Section 5.02)

Information Regarding Health Income Fund

The Department agrees to use its best efforts to certify or to cause to be certified to the Authority and the Trustee, from time to time and upon request of either the Authority or the Trustee, the amount of money and investments on deposit in the Health Income Fund, the amount of revenues being deposited, from time to time, in such Fund, the amount of excess in the Health Income Fund being transferred, from time to time, into the Health Services Fund, and such other information concerning the Health Income Fund as the Authority or the Trustee may reasonably request.

(Section 5.03)

Amount and Payment of Annual Payments

(a) Subject to the provisions of Section 2.01 of the Agreement, the Department shall pay to the Authority the following in the amounts and on the dates set forth below:

(i) On November 15 of each Bond Year, the interest payable on Outstanding Fixed Rate Bonds on or prior to the next succeeding January 1, the interest on Outstanding Variable Interest Rate Bonds estimated by an Authorized Officer of the Authority to be payable on or prior to the next succeeding July 1, and, with respect to each November 15, one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding July 1;

(ii) On May 15 of each Bond Year, the interest payable on Outstanding Fixed Rate Bonds on or prior to the, next succeeding July 1, the interest on Outstanding Variable Interest Rate Bonds estimated by an Authorized Officer of the Authority to be payable on or prior to the next succeeding January 1 and, with respect to each May 15, one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding July 1;

(iii) On November 15 and May 15 of each Bond Year, such amount, if any, as shall be necessary to provide for the repayment in accordance with the Agreement of amounts withdrawn from the Building and Equipment Reserve Fund;

(iv) On May 15 of each Bond Year, the amount, if any, as shall have been set forth in the certificate of the Trustee made pursuant to the Resolution as necessary on June 30 of the immediately preceding calendar year to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement; and

(v) At least thirty (30) days prior to any date on which the Redemption Price of Bonds previously called for redemption is to be paid, the amount required to pay the Redemption Price of such Bonds.

The Department shall receive a credit against the payments required to be made pursuant to (i), (ii) and (v) above in an amount equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to the Resolution to be on deposit in such fund or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption.

(b) Subject to the provisions of Section 2.01 of the Agreement, in addition to any other payments required by the Agreement, the Department shall pay to the Authority the following, in the amounts and on the dates set forth below:

(i) On November 15 and May 15 of each Bond Year, one-half (1/2) of the Annual Administrative Fee payable during such Bond Year and all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Projects, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement in accordance with the terms thereof;

(ii) The amount determined by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund, within fifteen (15) days after notice of the amount thereof is given to the Department; and

(iii) On November 15 and May 15 of each Bond Year, the amount, if any, as shall be necessary to provide for the payment by the Authority of the fees and other amounts payable to the provider of a Credit Facility or Liquidity Facility on or prior to the May 15 of such Bond Year or November 15 of the succeeding Bond Year, respectively.

(c) The Authority, for the convenience of the Department, shall furnish the Department not less than thirty (30) days prior to the date on which a payment is due pursuant to the Agreement, a statement of the amount, purpose and payment date of each payment required to be made pursuant to this section. The Authority agrees that it will provide the Department such information as may be reasonably requested by it with respect to the calculation of the Annual Administration Fee and the allocation formula utilized in connection therewith. The failure to furnish such statement or information shall not excuse the Department's failure to pay, when due, the amounts payable pursuant to the Agreement.

Any payments required to be made pursuant to Section 5.04 of the Agreement which are not paid by the Department within seven (7) days after the due date thereof shall, from and after said due date, bear interest (to the extent permitted by law) at the highest rate per annum borne by any of the Outstanding Bonds until paid, time being of the absolute essence of this obligation.

(Section 5.04)

Direction as to Payments

The Annual Payments payable pursuant to (a) above shall be paid by the Department, when due, to the Trustee for deposit and application in accordance with the Resolution.

The additional payments payable pursuant to Section 5.04 (b) above and interest thereon and on the Annual Payments payable pursuant to the Agreement shall be paid by the Department, when due, to the Authority.

(Section 5.05)

Assignment and Pledge for Security

As security for the payment of Annual Payments and any other payments which may become due under the Agreement and as permitted by Section 409 of the Public Health Law, the Department continuously pledges, grants a security interest in, and assigns to the Authority the Health Income Fund Assets. The Authority and the Department agree that all State and local officials concerned are authorized to apportion and pay to or upon the order of the Authority all such funds so assigned and pledged. Such assignment and pledge shall continue until the date on which the liabilities of the Authority and the Department under the Agreement shall have been terminated and shall so continue even though there may be no moneys or investments in the Health Income Fund and for that reason there may be no obligation (within the meaning of the Agreement) to make payments under the Agreement. The Department represents and warrants that no part of the Health Income Fund Assets or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Health Income Fund Assets assigned pursuant to the Agreement are legally available to provide security for the Department's performance under the Agreement. The Department agrees that it will not create or permit to be created any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Health Income Fund Assets which is prior or equal to the pledge made by the Agreement. Notwithstanding the foregoing, nothing in the Agreement shall prevent the Comptroller from making payments to the Health Services Fund in accordance with paragraph 2(d) of Section 409 of the Public Health Law.

(Section 5.06)

Indemnification of Authority

(a) Both during the term of the Agreement and thereafter, the Department, to the extent permitted by law, shall indemnify and hold the Authority and any member, officer, and employee of the Authority harmless from and against any and all liability, loss, cost, damage, claim, suit or judgment and any and all costs and expenses including, but not limited to, reasonable counsel fees and disbursements, if assessed by a court of competent jurisdiction, of any and all kinds or nature and however arising, imposed by law, which it or any of them may sustain, be subject to or be caused to incur by reason of any claim, suit or action based upon personal injury, death, or damage to property, whether real, personal or mixed, or upon or arising out of the financing, design, acquisition, construction, reconstruction, rehabilitation, improvement, occupancy, or use of a Project, pursuant to the Agreement, or upon or arising out of an allegation that an official statement, prospectus, placement memorandum or other offering document prepared in connection with the sale and issuance of obligations contained an untrue or misleading statement of a material fact relating to the Department, the State, a Project or the estimated sources and uses of funds, or omitted to state a material fact relating to the Department, the State, a Project or the estimated sources and uses of funds necessary in order to make the statements made therein in light of the circumstances under which they were made not misleading; provided, however, that such liability, loss, cost, damage, claim, suit or judgment is not contributed to, caused by or resulted from the intentional wrong doing of the Authority, its members, officers or employees.

(b) The provisions of the Agreement shall not be deemed to relieve any insurance company which has issued a policy of insurance from its obligation to defend or indemnify the Department, the Authority and any other insured named in such policy of insurance in connection with claims, suits or actions covered by such policy.

It is the intention of the parties to the Agreement that any such insurance shall be primary and shall take precedence to the indemnifications provided by the Department under the Agreement.

(c) The Authority agrees to give the Department and the Attorney General prompt notice in writing of the institution of each such claim, action or proceeding covered by Section 5.07(a) above and to consult with the Department and the Attorney General and to obtain the written approval of the Department and the Attorney General prior to adjusting, settling or compromising any such claim, action or proceeding.

(d) The Authority and each member, officer or employee shall be entitled to employ separate counsel in any action or proceeding and to participate in the defense thereof; provided, however, that the Department shall not be liable for attorney's fees of separate counsel so retained or any other expenses incurred in connection with its participation in the defense of such action or proceeding, other than the reasonable costs of investigation thereof, unless the Department shall have consented thereto or unless, (i) in the reasonable judgment of the Authority (A) its or any member, officer or employee's interests and the interests of the Department therein are adverse or (B) it or any member, officer or employee may have a defense available to it which is not available to the Department or (ii) the Department does not provide for legal representation.

(e) The Department shall not be liable for the payments pursuant to the indemnification provided for in the Agreement, to the Authority, its members, officers and employees including attorneys' fees of separate counsel retained by the Authority, its members, officers and employees beyond moneys available in the Health Income Fund.

(f) The indemnification provisions of the Agreement shall become inoperative with respect to the parties to be indemnified under the Agreement upon the enactment into law of indemnification protection for said parties equivalent to or pursuant to Section 17 of the Public Officers Law.

(Section 5.07)

Consent to Pledge and Assignment by the Authority

The Department agrees that the Authority may pledge and assign to the Trustee, and create a security interest in favor of the Trustee, in the moneys to be paid to the Authority under the Agreement and, to the extent permitted by the Resolution, the Health Income Fund Assets which are pledged and assigned to the Authority. The Department further agrees that the Authority may, at the Authority's option, pledge and assign any or all of the Authority's rights and remedies under the Agreement to the extent provided in the Resolution. Any such pledge and assignment shall be limited to securing the Department's obligation to make all payments required by the Agreement and to performing all other obligations required to be performed by the Department under the Agreement.

(Section 5.08)

Events of Default

The following shall constitute an "Event of Default" under the Agreement:

(a) if any installment of an Annual Payment or any other payment required by the Agreement shall not be paid in full when due and such failure shall continue for a period of ten (10) days after the date it is due; or

(b) the Department defaults in the due and punctual performance of any other covenant contained in the Agreement and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Department by the Authority or the Trustee; or

(c) as a result of any default in payment or performance required of the Department under the Agreement or any Event of Default under the Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof; or

(d) if section 403 of the Public Health Law is amended in the future to delete therefrom one or more of the Department's hospital facilities, which are named therein on the effective date of the Agreement; or

(e) if, for any reason, the moneys which the Commissioner is directed, by Section 409(2) (a) of the Public Health Law (as in effect on the effective date of the Agreement), to pay to the Comptroller to be deposited by the Comptroller in the Health Income Fund are not paid to the Comptroller and deposited in the Health Income Fund; or

(f) if, for any reason, the Comptroller shall not have on deposit the aggregate amount of money needed by the Department during the next succeeding six calendar months to make all Payment Obligations (as defined in the Agreement) contemplated by the Agreement to be paid during such period, whether or not the Department shall be obligated, within the meaning of the Agreement, to pay the same; or

(g) if the duties and responsibilities of the Comptroller under Section 409 of the Public Health Law as in effect on the effective date of the Agreement are amended or changed in a way which materially and adversely affects the payment of the Annual Payments and compliance with other obligations of the Department under the Agreement.

(Section 6.01)

Remedies

Upon the occurrence of any Event of Default, the Authority may take any one or more of the following actions:

(a) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Bonds or the Construction Fund or otherwise to which the Department may otherwise be entitled under the Agreement and in the Authority's sole discretion apply such proceeds or moneys for such purposes as are authorized by the Resolution;

(b) withhold any or all further performance under the Agreement;

(c) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Building and Equipment Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligations or liability or the Department or the Authority arising from the Agreement or from the Resolution; and

(d) take any other action at law or in equity which may appear necessary or desirable (i) to collect the payments then due or thereafter to become due under the Agreement, or (ii) to enforce the obligations, agreements or covenants of the Department under the Agreement.

All rights and remedies given or granted to the Authority in the Agreement are, to the extent permitted by law, cumulative, non- exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Agreement, the Authority may annul any declaration made pursuant to the Agreement and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 6.02)

Upon sixty (60) days' written notice to the Authority and the Trustee, the Department shall have the right to pay or cause to be paid to the Trustee an amount equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Bonds are subject to redemption. If at any time the moneys on deposit in the Debt Service Fund, together with the Gross Proceeds in the Building and Equipment Reserve Fund, are at least equal to the principal or Redemption Price of and interest to the next date on which all Outstanding Bonds are subject to redemption, the Authority upon the written request of the Department shall give notice to the Trustee of the Authority's election to redeem all Outstanding Bonds on such redemption date.

(Section 7.01)

Termination of the Agreement and Provisions Relating Thereto

The Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the Resolution and (ii) all other obligations, liabilities and expenses of the Authority relating to the Project or required to be paid by the Authority in connection with such termination of the Agreement and the defeasance of the Resolution shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made; provided, however, that the provisions of the Agreement regarding indemnification of the Authority shall survive the termination of the Agreement. See "FINANCIAL OBLIGATIONS — Indemnification of the Authority" in this Appendix C.

(Section 7.02)

Amendment of Agreement or Resolution

The Agreement may be amended by a Supplemental Agreement executed by and between the Authority and the Department; provided, however, that any amendment contained in a Supplemental Agreement shall not become effective unless and until (i) if the consent of Holders of Outstanding Bonds is required by the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentage of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by the Resolution, the Trustee has consented thereto, and (iii) an executed copy of such Supplemental Agreement certified by an Authorized Officer of the Authority shall have been filed with the Trustee.

The Authority agrees that it shall not adopt a Supplemental Resolution which amends or supplements the Resolution in any manner which requires the consent of any percentage of the Holders of Outstanding Bonds to be obtained as provided in the Resolution unless such Supplemental Agreement is approved in writing by the Department.

(Section 7.03)

Arbitrage

The Department covenants that it shall take no action, nor shall it consent to or approve the taking of any action or making any investment or the use of the proceeds of Bonds, which would cause the Bonds or any Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and any proposed temporary or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use.

(Section 7.06)

Non-Assignability of Agreement

The Agreement may not be assigned, except to the Trustee, by any party without the consent in writing of each other party.

(Section 7.08)

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority or any officer or employee of the Authority or of the State, or any person executing the Agreement for any covenants and provisions of the Agreement or for any claims based thereon.

(Section 7.11)

**SUMMARY OF CERTAIN PROVISIONS
OF THE RESOLUTION**

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

Contract with Bondholders

With respect to the Bonds, in consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold or own the same from time to time, the Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of such Bonds, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any such Bonds, over any other Bonds except as expressly provided in or permitted by the Resolution.

(Section 1.03)

Authorization of Bonds

Bonds of the Authority are authorized to be issued and shall be designated as "Dormitory Authority of the State of New York Revenue Bonds (Department of Health of the State of New York Revenue Bonds)," except that bonds issued to refund bonds or other obligations issued by the Authority shall be designated as "Dormitory Authority of the State of New York Department of Health of the State of New York Refunding Bonds" and the Resolution creates a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable solely from the Revenues, the Health Income Fund Assets and all funds and accounts (excluding the Arbitrage Rebate Fund) established by the Resolution, all in the manner more particularly provided in the Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Resolution.

(Section 2.01)

Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions adopted at the time of or subsequent to the adoption of the Resolution. The Authority shall, in addition to other requirements, deliver to the Trustee an opinion of Bond Counsel concerning the validity of the Resolution, any applicable Series Resolution, and the Bonds, a certificate of an Authorized Officer of the Authority stating that, upon issuance, the amount on deposit in the Health Income Fund will not be less than the amount then required to be therein, a certificate of an Authorized Officer of the Authority stating that the Authority is not in default under the Resolution (except in the case of Refunding Bonds), and a certificate of an Authorized Officer of the Department stating that the Department is not in default under the Agreement (except in the case of Refunding Bonds).

(Section 2.02)

Refunding Bonds and Additional Obligations

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds, one or more Series of Outstanding Bonds, a portion of a Series of Outstanding Bonds or a portion of a maturity of a Series of Outstanding Bonds or all or a portion of outstanding bonds or other obligations issued by the Authority. The Authority may issue Refunding Bonds in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Resolution of and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution authorizing the Bonds or other obligations issued by the Authority, as the case may be.

The proceeds, including accrued interest, of Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or as determined in accordance with the Series Resolution authorizing such Refunding Bonds.

The Authority reserves the right to issue bonds, notes or any other obligations pursuant to other and separate resolutions of the Authority, so long as such bonds, notes or other obligations are not entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution, or prior or equal to the rights of the Authority and Holders of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution.

(Sections 2.04 and 2.05)

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution and by any Series Resolution, other than the Arbitrage Rebate Fund, are pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Resolution and each Series Resolution all in accordance with the provisions thereof and of the Resolution. Such pledge is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution and by any Series Resolution and which are pledged by the Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts established by the Resolution and by any Series Resolution and which are pledged under the Resolution, which pledge shall constitute a first lien thereon.

Notwithstanding anything to the contrary contained in the Resolution, the Authority may incur obligations or indebtedness to any person providing a Credit Facility or Liquidity Facility which are payable from the Revenues or Health Income Fund Assets on a parity with the Bonds and which are secured by a lien on and pledge of the Revenues or the Health Income Fund Assets equal to the lien and pledge made by the Resolution, without preference, priority or distinction over the rights of the Holders of the Bonds.

(Section 5.01)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Resolution and shall be held and maintained by the Trustee, except that the Construction Fund shall be held and maintained by the Authority:

Construction Fund;

Debt Service Fund;

Building and Equipment Reserve Fund; and

Arbitrage Rebate Fund.

(Section 5.02)

Application of Proceeds and Allocation Thereof

Upon the receipt of the proceeds from the sale of a Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in the Series Resolution authorizing such Series of Bonds or in the Series Certificate relating to such Series of Bonds.

Accrued interest or capitalized interest, if any, received upon the delivery of a Series of Bonds shall be deposited in the Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Series Resolution authorizing such Series or in the Series Certificate relating to such Series.

(Section 5.03)

Application of Moneys in the Construction Fund

Upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Authority stating that the Project has been completed and the amount of moneys, if any, to be retained in the Construction Fund to make provision for the payment of any Costs of such Project or Costs of Issuance of Bonds issued in connection therewith then remaining unpaid, or upon the filing in the offices of the Authority of a certificate signed by an Authorized Officer of the Department and of the Authority which states that the moneys then remaining in the account established within the Construction Fund for a Project exceeds the amount necessary to complete such Project, the moneys, if any, then remaining in such account, after making provisions for the payment of any Costs of Issuance and Costs of such Project then unpaid shall be applied by the Trustee in the following order of priority;

First: Upon the direction of an Authorized Officer of the Authority, to the Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the credit of the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Third: To the Debt Service Fund, at the direction of the Authority, for the payment of principal on the Bonds at the maturity date or prior redemption thereof or through the purchase thereof in accordance with the Resolution, any balance remaining.

(Section 5.04)

Deposit and Allocation of Revenues

1. The Revenues and other moneys, which, by any of the provisions of the Agreement, are required to be paid to the Trustee, shall be paid to the Trustee and upon receipt thereof shall be deposited or paid by the Trustee in the following order of priority:

First: To the credit of the Debt Service Fund (i) in the case of Revenues received during the period from the beginning of each Bond Year until December 31 thereof, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to one-half (1/2) of the principal and Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding July 1, the interest payable on Outstanding Bonds which bear interest at a fixed rate on the next succeeding January 1, and the amount of interest estimated by the Authority to be payable on Variable Interest Rate Bonds on and prior to the next succeeding July 1; and (ii) in the case of Revenues received thereafter and until the end of such Bond Year, the amount, if any, necessary to make the amount on deposit in the Debt Service Fund equal to the principal and Sinking Fund Installments of Outstanding Bonds becoming due on the next succeeding July 1, the interest payable on Outstanding Bonds which bear interest at a fixed rate on the next succeeding July 1, and the amount of interest estimated to be payable on Variable Interest Rate Bonds on and prior to the next succeeding January 1;

Second: In the event of any withdrawal from or deficiency in the Building and Equipment Reserve Fund, to the Building and Equipment Reserve Fund, the amount necessary to make the amount on deposit therein equal to the Building and Equipment Reserve Fund Requirement: and

Third: To the Authority such amounts as are then due and owing to the Authority pursuant to the Agreement for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee, Paying Agents and any provider of a Credit Facility or Liquidity Facility, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Projects, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Agreement in accordance with the terms thereof and (iii) the Annual Administrative Fee of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing the Authority pursuant to the Agreement and payable under the Resolution.

2. After making the payments required by subdivision 1 above, the balance, if any, of the Revenues on the immediately succeeding July 1 shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to the credit of the Construction Fund or deposited by the Trustee to the credit of the Debt Service Fund for application in accordance with the Resolution, or to both, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the Department promptly after making the

payments required by subdivision 1 above of any balance remaining from such Revenues on the immediately succeeding July 1.

(Section 5.05)

Debt Service Fund

The Trustee shall on or before the Business Day preceding each interest payment date pay to itself and any other Paying Agent the amount of: (a) the interest due on all Outstanding Bonds on such interest payment date; (b) the principal and Sinking Fund Installments due on all Outstanding Bonds on such interest payment date; and (c) moneys required for the redemption or purchase of Bonds in accordance with the Resolution. The amount paid out shall continue to be subject to the pledge made by the Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to the payments due on such interest payment date to the Holders of Bonds.

The Authority may, at any time subsequent to the first day of July of any Bond Year immediately preceding a Bond Year during which a Sinking Fund Installment is payable but in no event less than forty-five (45) days prior to the succeeding first day of July on which such Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bonds so purchased shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such first day of July; provided that such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

In the event that on the fifth Business Day preceding any interest payment date the amount in the Debt Service Fund shall be less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall immediately inform the Authority and the Department and the Department shall cause the Comptroller to withdraw from the Health Income Fund and deposit to the credit of the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

In the event that on any interest payment date the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds, for the payment of principal of the Outstanding Bonds or for the payment of Sinking Fund Installments of the Outstanding Bonds due and payable on such interest payment date, the Trustee shall, after the withdrawals made pursuant to the Resolution, apply moneys in the Debt Service Fund deposited therein for the redemption of Bonds (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority, to pay interest on, principal of or Sinking Fund Installment of Bonds, respectively.

Moneys in the Debt Service Fund in excess of the amount required to pay the principal and Sinking Fund Installments of Outstanding Bonds payable on the next succeeding July 1, the interest on Outstanding Bonds payable on the next succeeding interest payment date and the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, of Outstanding Bonds theretofore contracted to be purchased or called for redemption shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any 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 an Authorized Officer of the Authority shall direct.

Notwithstanding the preceding paragraph, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) is sufficient to make provision pursuant to the Resolution for the payment of Outstanding Bonds at the maturity or redemption date thereof, the Authority may request the Trustee to take such action consistent with the Resolution as is required thereby to deem such Bonds to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase Defeasance Securities sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.06)

Building and Equipment Reserve Fund

The Trustee shall deposit to the credit of the Building and Equipment Reserve Fund such proceeds of the sale of Bonds, if any, as shall be prescribed in the Series Resolution authorizing the issuance of such Series of Bonds or the Series Certificate relating to such Series of Bonds and any Revenues or other moneys received by the Trustee which, by the provisions of the Agreement, are to be deposited in the Building and Equipment Reserve Fund.

In the event that on the fifth Business Day preceding any interest payment date and after any withdrawal made pursuant to the Resolution, the amount in the Debt Service Fund shall be less than the amount required for payment of interest on and the principal and Sinking Fund Installments of Outstanding Bonds due and payable on such interest payment date, the Trustee shall withdraw from the Building and Equipment Reserve Fund and deposit to the credit of the Debt Service Fund such amounts as will increase the amount therein to an amount sufficient to make such payment.

The amount on deposit in the Building and Equipment Reserve Fund shall be applied to defray the costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving any Project and its equipment and to the renewal, replacement and repair of damaged property of any Project. Such amounts shall be applied in the following order or priority: (i) First, to meet building integrity and habitability needs; (ii) Second, to meet fire and life safety requirements; and (iii) Third, to meet other Project related charges. Any payment from the Building and Equipment Reserve Fund to defray such costs shall be made by the Trustee upon receipt of a certificate of the Authority signed by an Authorized Officer, setting forth in reasonable detail the payments to be made and stating that such payments are properly payable from moneys held by the Trustee in the Building and Equipment Reserve Fund.

Moneys and investments held for the credit of the Building and Equipment Reserve Fund in excess of the Building and Equipment Reserve Fund Requirement shall be deposited or applied by the Trustee and deposited as follows and in the following order of priority: First, deposited to the credit of the Arbitrage Rebate Fund, the amount designated by the Authority; then, upon direction of an Authorized Officer of the Authority, paid to the Authority for deposit to the credit of the Construction Fund or deposited by the Trustee in the Debt Service Fund for application in accordance with the Resolution, or to both such funds, in the respective amounts set forth in such direction or otherwise shall remain in the Building and Equipment Reserve Fund.

If the moneys and investments held for the credit of the Building and Equipment Reserve Fund on June 30 of a Bond Year are less than the Building and Equipment Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Department of such deficiency and the amount necessary to make the amount on deposit in the Building and Equipment Reserve Fund equal to the Building and Equipment Reserve Fund Requirement shall be included in the Annual Payments payable by the Department during the immediately succeeding Bond Year.

(Section 5.07)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Department for deposit therein or transferred by it or paid to it by the Authority in accordance with the provisions of the Resolution for deposit therein. Notwithstanding any other provisions of the Resolution, the Trustee shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, 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, and the Authority may withdraw from the Construction Fund and pay to the Trustee for deposit to the Arbitrage Rebate Fund, such amounts as shall be determined by the Authority to be necessary to comply with the Code.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized

Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the directions of such Authorized Officer.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee to (i) transfer from any other of the funds and accounts held by the Trustee under the Resolution and deposit to the Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to each Series of Bonds and (ii) pay out of the Arbitrage 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 5.08)

Application of Money in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if at any time the amounts held in the Debt Service Fund, together with any Gross Proceeds held in the Building and Equipment Reserve Fund, are sufficient to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds are redeemable, the Trustee shall so notify the Authority and the Department. Upon receipt of such notice, the Authority may direct the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by each Series Resolution.

(Section 5.10)

Transfer of Investments

Whenever moneys in any fund or account established by the Resolution or by any Series Resolution are to be paid in accordance with the Resolution or any Series 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 restriction applicable to moneys in such fund or in violation of the Resolution relating to the exclusion from gross income of the interest from the Bonds.

(Section 5.11)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, and (iii) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution shall compute the value of the assets in the Building and Equipment Reserve Fund, in the case of the requirement described in clause (i) above, on the last day of each such month, in the case of a request described in clause (ii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Department as to the results of such computation and the amount by which the value of the assets in the Building and Equipment Reserve Fund exceeds or is less than the Building and Equipment Reserve Fund Requirement.

(Section 5.12)

Security for Deposits

All moneys held under the Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Resolution as an investment of such moneys.

(Section 6.01)

Investment of Funds and Accounts

Moneys held under the Resolution in any fund or account established thereby or by a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations or Exempt Obligations which, at the time such investment is made, are rated, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, by Moody's and S&P's, or, if such obligations are not rated by Moody's and S&P's, by Moody's or S&P's, in the highest rating category of such rating service or services for such Exempt Obligation or, if such Exempt Obligations are rated by neither Moody's nor S&P's, have been assigned a comparable rating by another nationally recognized rating service; provided that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution. Moneys held under the Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

In lieu of the investments of moneys in obligations authorized in the Resolution, the Trustee shall, to the extent permitted by law, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, invest moneys in the Building and Equipment Reserve Fund, and the Authority may, to the extent permitted by law, invest moneys in the Construction Fund, in (i) interest-bearing time deposits, certificates of deposit, or other similar investment arrangements including, but not limited to, written repurchase agreements relating to Government Obligations with banks, trust companies, savings banks, savings and loan associations, or securities dealers approved by the Authority the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, (ii) Exempt Obligations or (iii) Investment Agreements; provided, that (w) each such investment shall permit the moneys so deposited or invested to be available for use at the times at, and in the amounts in, which the Authority reasonably believes such moneys will be required for the purposes of the Resolution, (x) all moneys in each time deposit, certificate of deposit, repurchase agreement or other similar investment arrangement shall be continuously and fully secured by ownership of or a security interest in obligations in which moneys may be invested pursuant to the provisions of the Resolution (other than obligations of any state or territory of the United States of America, any political subdivision thereof, or any agency, authority, public benefit corporation or instrumentality of any such state, territory or political subdivision) of a market value determined by the Trustee or its agent in the case of the Building and Equipment Reserve Fund, or by the Authority or its agent in the case of the Construction Fund, on a daily valuation equal to the amount so invested, including interest accrued thereon, (y) the obligations which secure such time deposit or certificate of deposit or which are the subject of a repurchase agreement or other similar investment arrangement shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority with respect to such investment made by the Trustee, or by an agent of the Authority with respect to such investment made by the Authority, and (z) the obligations which secure such time deposit or certificate of deposit or which are the subject of a repurchase agreement or other similar investment arrangement shall be free and clear of claims of any other person.

Obligations purchased or other investments made as an investment of moneys in any fund or account held by the Trustee or the Authority under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

In computing the amount in any fund or account held by the Trustee or the Authority under the Resolution, obligations purchased as an investment of moneys therein or held therein shall be valued at the market value thereof, plus accrued interest, except that the Building and Equipment Reserve Fund shall be valued at the lower of cost of such investments or the par value thereof, plus accrued interest.

The Authority in its discretion may cause the Trustee to, and upon the direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority, the Trustee shall, sell, present for redemption or exchange any investment purchased pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, any investment purchased by the Trustee or the Authority pursuant to the Resolution shall be sold at the best price obtainable, or presented for redemption or exchange, whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Authority in writing, on or before the seventh day of each calendar month, of the amounts required to be on deposit in each fund and account held by it under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of the Resolution. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

No part of the proceeds of the Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds according to the true intent and meaning thereof.

(Section 7.01)

Accounts and Audits

The Authority shall keep proper Books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the State, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Authority shall cause such books and accounts to be audited annually after the end of its fiscal year by a nationally recognized independent public accountant selected by the Authority. Annually within thirty (30) days after receipt by the Authority of the report of such audit, a signed copy of such report shall be furnished to the Trustee and the Department. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Resolution and with each Series Resolution; a statement that the balances in the Building and Equipment Reserve Fund meet the requirements of the Resolution and of the applicable Series Resolution; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions of the Resolution or of each Series Resolution was obtained, or if knowledge of any such default was obtained, a statement thereof.

(Section 7.05)

Creation of Liens

The Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues, the Health Income Fund Assets or the funds and accounts established by the Resolution or by any Series Resolution which are pledged by the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Authority from (i) issuing bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Resolution, and (ii) incurring obligations or indebtedness to any person providing a Credit Facility or a Liquidity Facility which are secured by a lien on and pledge of the Revenues or the Health Income Fund Assets which are equal to the lien and pledge thereon made by the Resolution.

(Section 7.06)

Enforcement of Duties and Obligations of the Department

The Authority shall take all legally available action to cause the Department to perform fully all duties and acts and comply fully with the covenants of the Department required by the Agreement in the manner and at the times provided in the Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

(Section 7.07)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation and improvement or otherwise providing, furnishing and equipping of a Project shall be deposited in the account established within the Construction Fund for such Project.

(Section 7.08)

Offices for Payment and Registration of Bonds

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds. The provisions of this caption shall be subject to the provisions of Section 3.01 of the Resolution.

(Section 7.09)

Amendment of Agreement

The Agreement may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least fifty-one percent (51%) in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds of each Series so affected then Outstanding; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution; and provided, further, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment to be made by the Department which under the Agreement is required to be deposited with the Trustee or extend the time of payment thereof. The Agreement may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement or otherwise providing, furnishing and equipping of a Project or the issuance of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Agreement which may be defective or inconsistent with any other provisions contained in the Resolution or in the Agreement. No amendment to the Agreement shall become effective until an executed copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

For the purposes of the Resolution, a Series shall be deemed to be materially adversely affected by a modification or amendment of the Agreement if the same materially adversely affects or diminishes the rights of the Holders of the Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions, Bonds of any particular Series would be materially adversely affected by any modification or amendment, and any such determination shall be binding and conclusive on the Department, the Authority and all Holders of Bonds.

For all purposes of the Resolution, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to the extent, if any, as to which any action materially adversely affects the interests of any Holders of Bonds then Outstanding.

Notwithstanding the foregoing provisions, the Agreement may be amended or any provision thereof waived by the Authority without the consent of the Holders of Outstanding Bonds or the Trustee to permit a sale, lease or other disposition or transfer of (i) a hospital facility identified in Section 403 of the Public Health Law or a Project or part thereof or (ii) of the operations thereof, in each case including the right to all rents, profits, income, accounts and contract rights relating to or derived from the use, occupancy or operations thereof, if such sale, lease or other disposition or transfer is permitted by the Resolution as summarized herein under the heading "Abandonment, Sale, Lease or Condemnation of a Project."

(Section 7.10)

Notice as to Event of Default under Agreement

The Authority shall notify the Trustee in writing that the Department is in default under the Agreement which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.11)

Payment of Lawful Charges

The Authority shall pay or take all legally available action to cause the Department to pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed in respect of a Project or any part thereof or upon any Revenues, the Health Income Fund Assets or any fund or account created under the Resolution or under any Series Resolution, when the same shall become due, and shall duly observe and comply with or cause the Department to duly observe and comply with, all valid requirements of any municipal or governmental authority relative to any part of a Project. Except as otherwise provided by the Resolution and by the Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues, the Health Income Fund Assets or any fund or account created under the Resolution or under any Series Resolution, except the pledge and lien of the Resolution and of the Bonds. The Authority shall pay or cause to be paid or cause to be discharged, or shall make adequate provisions to satisfy and discharge all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the Revenues; provided, however, that nothing in the Resolution shall require the Authority to pay or cause to be paid or discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(Section 7.12)

Abandonment, Sale, Lease or Condemnation of a Project

Except as otherwise permitted by the Resolution, the Authority shall not permit the abandonment of the acquisition, design, construction, reconstruction, rehabilitation, improvement or otherwise providing and furnishing and equipping of a Project, or any sale, lease or other disposition of a Project except in accordance with the provisions of the Agreement. The proceeds of any condemnation, sale, or other disposition of a Project shall be applied by the Authority in accordance with the Agreement.

The State may sell, lease or otherwise dispose of or transfer a hospital facility identified in Section 403 of the Public Health Law or a Project or part thereof or of the operations thereof, including the right to all rents, profits, income, accounts and contract rights relating to or derived from the use, occupancy or operations thereof, if, during the twelve calendar months preceding such sale, lease, disposition or transfer, the aggregate amount of moneys received by the Department and deposited in the Health Income Fund which was derived from the care, maintenance and treatment of patients at the State hospitals enumerated in Section 403 of the Public Health Law not so sold, leased, disposed of or transferred (including revenues and grants received from the State and the United States of America with respect to the Medicare program, from the appropriate Blue Cross - Blue Shield plan and from any other third party payer), together with moneys received from fees, including parking fees, refunds, reimbursements, sales of property and miscellaneous receipts of such State hospitals (other than gifts, grants, bequests and moneys received under research contracts), less refunds made pursuant to law, was at least equal to the amount of principal and Sinking Fund Installments of and interest on Outstanding Bonds payable in the then current or any future calendar year.

(Section 7.13)

Tax Exemption; Rebates

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Series, the Authority shall comply with the provisions of the Code applicable to the Bonds of a Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of a Series of Bonds, reporting of earnings on the Gross Proceeds of a Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the letter of instructions, to be delivered by Bond Counsel at the time the Bonds of a Series are issued as to compliance with the Code with respect to such Series of Bonds, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action which would cause the Bonds of a Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of a Series shall not entitle the Holder of Bonds of any other Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Holders of Bonds hereunder based upon the Authority's failure to comply with the provisions of the Resolution or of the Code.

(Section 7.14)

Modification and Amendment Without Consent

The Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority; (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed; (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution; (c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of 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 Authority contained in the Resolution; (e) To confirm, as further assurance, any pledge under the Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Resolution, of the Revenues, or any pledge of any other moneys or funds; (f) To modify any of the provisions of the Resolution or of any previously adopted Series Resolution in any other respect, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; (g) To modify the provisions of the Resolution concerning investment of funds in any respect, provided that such modification shall not permit the investment of moneys in the Debt Service Fund in any manner inconsistent with the provisions of the Resolution and shall not result in the reduction by Moody's or S&P's of the ratings assigned thereby to any of the Outstanding Bonds; (h) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Holders of the Bonds in any material respect; or (i) To modify the Project as described in an exhibit attached to a Series Resolution or Series Certificate to include additional items or to delete items contained therein, provided that no amendment adding items to the Project shall become effective until the Authority and the Trustee shall have received an opinion of Bond Counsel that such amendment will not cause interest on any Bonds to be includible in gross income for federal income tax purposes.

(Section 9.01)

Supplemental Resolutions Effective With Consent of Holders of Bonds

The provisions of the Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of the Holders of Bonds in accordance with and subject to the provisions of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority.

(Section 9.02)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Resolution. Nothing contained in the Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument provided in the Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or 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 Authority and enforceable in accordance with its terms.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Resolution and to make all further agreements and stipulations which may be contained therein, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Series Resolution or 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 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding at the time such consent is given, (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this caption. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

(Section 10.01)

Consent of Holders of Bonds

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Resolution to take effect when and as provided in the Resolution. 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 Holders of Bonds for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Holders of Bonds (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as provided in the Resolution). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of the Holders of the percentages of Outstanding Bonds in accordance with the provisions of the Resolution and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as provided in the Resolution. 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 Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Holder of Bonds shall be binding upon the Holder of the Bonds giving such consent and, anything in the Resolution 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 the Holder of such Bonds giving such consent or a Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided in the Resolution is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence 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 Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Resolution, shall be given to the Holders of Bonds by the Authority by mailing such notice to the Holders of Bonds and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove described is filed. The Authority shall file with the Trustee proof of the mailing of such notice, and, if the same shall have been published, of the publication thereof (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the Resolution). A transcript, consisting of the papers required or permitted by the Resolution to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such publication is required, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Section 10.02)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Resolution, except that no notice to Holders of Bonds either by mailing or publication shall be required.

(Section 10.03)

Events of Default

Events of default under the Resolution include: (a) failure of the Authority to pay the principal, Sinking Fund Installments or Redemption Price of any Bond when the same shall become due and payable either at maturity or by proceedings for redemptions or otherwise; (b) failure of the Authority to pay an installment of interest when the same shall become due and payable; (c) default in the due and punctual performance of the covenant regarding tax exemption and compliance with the Code contained in the Resolution and, as a result thereof, the interest on the Bonds of a Series shall no longer be excluded from gross income under Section 103 of the Code; (d) or default in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or in the Resolution or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default, other than an event of default described in clause (c) under the caption “Events of Default” above, the Trustee may, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds and the interest accrued thereon to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Bonds or any Series Resolution to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding annul such declaration and its consequences if the requirements of the Resolution are met.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance of an event of default described in clause (c) under the caption “Events of Default” above, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (subject to the provisions of the Resolution concerning indemnity of the Trustee), to protect and enforce its rights and the rights of the Holders of the Bonds under the laws of the State or under the Resolution or under any Series Resolution by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained hereunder or in aid or execution of any power granted under the Resolution or under any Series Resolution, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

(Section 11.04)

Limitation of Rights of Individual Bondholders

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 execution of any trust under the Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance of an event of default described in clause (c) under the caption “Events of Default” above, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

(Section 11.08)

Defeasance

If the Authority shall pay or cause to be paid to the Holders of the Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the applicable Series Resolution and the applicable Series Certificate, then the pledge of the Revenues, Health Income Fund Assets or other moneys and securities pledged to such Series of Bonds and all other rights granted to such Series of Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or securities held by it pursuant to the Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series not theretofore surrendered for such payment or redemption shall be first deposited in the Arbitrage Rebate Fund in accordance with the direction of an Authorized Officer of the Authority and thereafter paid or delivered by the Trustee to the Authority free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. All Outstanding Bonds of any Series or any maturity within a Series or a portion of a maturity within a 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 paragraph above if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to publish as provided in the Resolution notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, deposited 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 thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Resolution and stating such maturity 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, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of which Series of Bonds or which maturity within a Series or the principal amount of Bonds within a maturity of a Series payment of which shall be made in accordance with the Resolution. The Trustee shall select which Bonds of like Series and maturity payment of which shall be made in accordance with, and in the manner provided for in the Resolution. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal nor interest payments on any such Defeasance Securities 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, of and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; and provided further that Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which without regard to reinvestment, together with the moneys, if any, held by or deposited 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 thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report of a firm of independent certified public accountants verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be first deposited in the Arbitrage Rebate Fund in accordance with the direction of an Authorized Officer of the Authority and thereafter be paid by the Trustee to the Authority, in each case free from any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

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 Defeasance Securities and moneys, if any, in accordance with the Resolution, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate 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 Variable Interest Rate Bonds in order to satisfy the Resolution, the Trustee shall, if requested by an Authorized Officer of the Authority, deposit the amount of such excess in the Arbitrage Rebate Fund or pay the amount of such excess to the Authority, in each case, free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

Option Bonds shall be deemed to have been paid in accordance with the Resolution only if, in addition to satisfying the requirements of the Resolution, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the Resolution, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of defeasance under the Resolution. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by an Authorized Officer of the Authority, deposit the amount of such excess in the Arbitrage Rebate Fund or pay the amount of such excess to the Authority, in each case, free and clear of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by the Agreement.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent 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 by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when such Bonds become due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than forty (40) nor more than ninety (90) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

FORM OF APPROVING OPINION OF CO-BOND COUNSEL

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APPENDIX E

FORM OF APPROVING OPINION OF CO-BOND COUNSEL

Upon delivery of the Series 2016A Bonds, Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, Co-Bond Counsel to the Authority, each propose to issue its legal opinion in substantially the following form:

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 "Act"), have examined a record of proceedings relating to the issuance of the Authority's $144,810,000 aggregate principal amount of Department of Health of the State of New York Revenue Refunding Bonds, Series 2016A (the "Series 2016A Bonds").

The Series 2016A Bonds are issued under and pursuant to the Act, the Revenue Bond Resolution (Department of Health of the State of New York Revenue Bonds) adopted by the Authority on July 18, 1990, as amended and supplemented (the "Bond Resolution"), including as supplemented by the Series 2016A Resolution Authorizing Up To $150,000,000 Department of Health of the State of New York Revenue Refunding Bonds, Series 2016A, adopted by the Authority on May 11, 2016 (the "Series 2016 Resolution"). The Bond Resolution and the Series 2016 Resolution are herein collectively referred to as the "Resolutions." Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. .

The Authority is authorized to issue Department of Health of the State of New York Revenue Bonds, in addition to the Series 2016A Bonds, upon the terms and conditions set forth in the Bond Resolution and such bonds, when issued, shall, with the Series 2016A Bonds and all other bonds heretofore or hereafter issued under the Bond Resolution (collectively, the "Bonds"), be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Bond Resolution.

The Series 2016A Bonds are dated, mature, are payable, bear interest and are subject to redemption as provided in the Resolutions and the Series Certificate (as defined in the Resolutions) of the Authority fixing the terms and details of the Series 2016A Bonds.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the 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 proceeds from the sale of the Bonds, the Revenues, the Health Income Fund Assets and all funds and accounts other than the Arbitrage Rebate Fund (as such terms are defined in the Bond Resolution) established by the Resolutions, subject to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions permitted by the Resolutions.

3. The Series 2016A 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. Pursuant to the Loan Agreement, dated as of July 18, 1990, as amended and supplemented (the “Loan Agreement”), by and between the Authority and the Department of Health of the State of New York (the “Department”), the obligations of the Department to make Annual Payments (as defined in the Bond Resolution) due to the Authority are executory to the extent of moneys available in the Health Income Fund (as defined in the Bond Resolution) and no monetary liability on account thereof is incurred by the Department beyond monies legally available in the Health Income Fund.

4. The Series 2016A Bonds shall not be a debt of the State nor shall the State be liable thereon, nor shall the Series 2016A Bonds be payable out of any funds other than those of the Authority pledged to the payment of the Series 2016A Bonds.

5. Under existing statutes and court decisions, (i) interest on the Series 2016A 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 2016A 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 the Authority, the Department, the Roswell Park Cancer Institute (the “Institute”) and others, and we have assumed compliance by the Authority, the Department and the Institute with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code. For any Series 2016A Bonds having original issue discount (“OID”), OID that has accrued and is properly allocable to the owners of such Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2016A Bonds.

6. Under existing statutes, interest on the Series 2016A 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 2016A 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 2016A Bonds, or the exemption from personal income taxes of interest on the Series 2016A 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 2016A Bonds, the Resolutions and the Loan 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 2016A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

Appendix F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK
DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK REVENUE REFUNDING BONDS
SERIES 2016A

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT, dated as of October 21, 2016 (this "Agreement"), is made by and among the Authority, the State and the Trustee, each as defined below in Section 1.

In order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 (as hereinafter defined), the parties hereto, 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 as follows:

1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in Rule 15c2-12, or to the extent not in conflict with Rule 15c2-12, the Resolution.

"Agreement" shall mean this Agreement as the same from time to time may be amended and supplemented in accordance with the terms hereof.

"Annual Information" shall mean the information specified in Section 3 hereof.

"Authority" shall mean the Dormitory Authority of the State of New York, a public benefit corporation of the State of New York and the issuer of the Series 2016A Bonds and any successor thereto.

"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.

"DTC" shall mean the Depository Trust Company, New York, New York, which is acting as the Depository for the Series 2016A Bonds within the meaning of the Resolution.

"EMMA" shall mean the Electronic Municipal Market Access system described in 1934 Act Release No. 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.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"GAAS" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Series 2016A Bonds and for the purpose of Section 5 of this Agreement only, if registered in the name of DTC (or a nominee thereof) or in the name of any other entity (or a nominee thereof) that acts as a "clearing corporation" within the meaning of the New York Uniform Commercial Code and is a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, any beneficial owner of Series 2016A Bonds.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15(b) (1) of the Securities Exchange Act of 1934, as amended.

"Official Statement" shall mean the Official Statement of the Authority dated October 14, 2016, relating to the Series 2016A Bonds.

"Outstanding" shall mean Outstanding within the meaning of the Resolution.

"Resolution" shall mean the Authority's Revenue Bond Resolution (Department of Health of the State of New York, Revenue Bonds) adopted July 18, 1990, together with the Series Resolution adopted May 11, 2016, thereunder, authorizing the issuance of the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 (as amended through the date of this Agreement including any official interpretations thereof promulgated on or prior to the effective date hereof), promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

"Series 2016A Bonds" shall mean the Dormitory Authority of the State of New York, Department of Health of the State of New York Revenue Refunding Bonds, Series 2016A.

"State" shall mean the State of New York, an "obligated person" with respect to the Series 2016A Bonds within the meaning of Rule 15c2-12.

"Trustee" shall mean Manufacturers and Traders Trust Company, a trust company organized and existing under the laws of the State of New York.

"Underwriter" shall mean the underwriter or underwriters that have contracted to purchase the Series 2016A Bonds from the Authority upon initial issuance.

2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Series 2016A Bonds, to electronically file, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2017, with EMMA, 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 Series 2016A Bonds, to electronically file, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2017, audited financial statements of the State for such fiscal year with EMMA; 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 EMMA if and when they become available.

(c) The Director and the Trustee shall notify the Authority and the Trustee (unless such notice is from the Trustee), upon the occurrence of any of the fourteen events listed in Section 2(ii) hereof promptly upon becoming aware of the occurrence of any such event.

(ii) Obligations of the Authority. The Authority hereby undertakes, for the benefit of the Holders of the Series 2016A Bonds, (a) to provide to EMMA, in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any such events with respect to the Series 2016A Bonds:

(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 enhancement 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 and determinations with respect to the tax status of the Series 2016A Bonds or other material events affecting the tax status of such Bonds;

(7) modification to rights of the Holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Series 2016A Bonds, 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 provide to EMMA, in a timely manner, notice of a failure by the State to comply with Sections 2(i)(a) or 2(i)(b) hereof.

(iii) Termination of Disclosure Obligation. The obligations of the State pursuant to Sections 2(i)(a) and 2(i)(b) hereof may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12. Upon any such termination, the Authority shall electronically file notice thereof with the MSRB.

(iv) Other Information. Nothing herein shall be deemed to prevent the Authority 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 Authority or the State should disseminate any such additional information, the Authority or the State shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

(v) Disclaimer by the Authority. The Authority 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 by the State pursuant to Sections 2(i)(a) or 2(i)(b) hereof.

(vi) Electronic Format. All documents, reports, notices, statements, information and other materials provided to the MSRB and EMMA under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) financial and operating data of the type included in the final Official Statement for the Series 2016A Bonds under the headings "Part -4 The Department of Health" and "Part 5-The Medical Care Facilities" which shall include information relating to the following:

(1) utilization data and other relevant operating statistics for the health care programs and services provided at the Medical Care Facilities (as defined in the Official Statement);

(2) historical information relating to receipts available for Annual Payments on a cash basis for the period of not less than the four most recently

completed fiscal years of the State then available, in substance similar to the table under the heading “Cash Receipts From Patients and Miscellaneous Income”;

(3) summary financial information on an accrual basis for the period of not less than the four most recently completed fiscal years of the State then available, in substance similar to the table under the heading “Summary of Net Patient Care Revenues, Other Non-Operating Revenues and Operating Expenses As Reflected on the Facilities’ Income Statements”;

(4) information for the then current fiscal year relating to the Department’s State Capital Projects Fund and General Fund appropriations similar to the information set forth under the heading “Fiscal Structure of the Department”;

(5) historical information relating to Medical Care Facilities revenues on a cash basis, debt service payments made from the Health Income Fund and transfers to the DOH Hospital Holding Account for the period of not less than the five most recently completed fiscal years of the State then available, together with estimated amounts for the current fiscal year if estimates are then available, similar in substance to the information contained in the table under the heading “Health Income Fund”;

(6) historical information relating to the Department’s State Operations appropriations for the period of not less than the five most recently completed fiscal years of the State then available, similar in substance to the information contained in the table under the headings “DOH Hospital Holding Account and Facility-Specific Operating Accounts” unless, with respect to items (1) through (6) just described, the source of revenue for the payment of the Series 2016A Bonds has been materially changed or modified, in which case the Annual Information will include similar information about such new or modified source of revenue, whether on an actual historical basis, a *pro forma* basis or otherwise; and

(b) financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B to the Official Statement, under the headings or subheadings “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 such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning Department and the State and the sources of revenue for the Health Income Fund, 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 EMMA; provided, however, that if the document is an official statement, it shall have been electronically filed with EMMA and need not have been filed elsewhere.

(iii) Information 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.

4. Financial Statements.

The annual financial statements of the State 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 to be provided for such fiscal year.

5. Remedies.

The sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of the parties hereunder. No person or entity shall be entitled to recover any monetary damages hereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under this Agreement (i) in the case of enforcement of their respective obligations to provide information required hereunder, by any Holder of Outstanding Series 2016A Bonds or by the Trustee on behalf of the Holders of Outstanding Series 2016A Bonds or (ii) in the case of challenges to the adequacy of the information provided, by the Trustee on behalf of the Holders of Outstanding Series 2016A Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Series 2016A Bonds at the time Outstanding.

Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Resolution or any other agreement executed and delivered in connection with the issuance of the Series 2016A Bonds.

6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Series 2016A Bonds. No other person (other than the Trustee on behalf of the Holders) shall have any right to enforce the provisions hereof or any other rights hereunder, except that the Authority shall have the right to enforce the provisions hereof and to assert rights hereunder.

7. Amendments.

Without the consent of any Holders of Series 2016A Bonds, the Authority, the State and the Trustee at any time and from time to time may enter into amendments to this Agreement for any of the following purposes:

(i) to comply with or conform to any changes in Rule 15c2-12 or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), which are applicable to the Agreement;

(ii) to add or change a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the State, the Trustee or the Authority and the assumption by any such successor of the covenants of the State, the Trustee or the Authority hereunder;

(iv) to add to the covenants of the State or the Authority for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or the Authority;

(v) for any purposes for which, and subject to the conditions pursuant to which, amendments may be made under Rule 15c2-12, as amended or modified from time to time, or any formal authoritative interpretations thereof by the Securities and Exchange Commission or its staff, which are applicable to the Agreement; or

(vi) for any other purpose, if (a) the amendment is made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in identity or nature, or status of the Authority 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 Series 2016A Bonds, after taking into account any amendments, or formal authoritative interpretations by the Securities and Exchange Commission of Rule 15c2-12 as well as any change in circumstances; and (c) the amendment does not materially impair the interests of the Holders, as determined either by the Trustee or by nationally recognized bond counsel. (In determining whether or not there is such an adverse effect, the Trustee may rely upon an opinion of nationally recognized bond counsel.)

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 for the fiscal year in which such change is made. The comparison should 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, in order to provide information to investors to enable them to evaluate the ability of the State to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in accounting principles shall be electronically filed with the MSRB.

8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Series 2016A Bonds shall have been paid in full or the Series 2016A Bonds shall have otherwise been paid or defeased in accordance with the Resolution (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or 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 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 Series 2016A 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, the Authority shall electronically file with the MSRB notice of such defeasance and such notice shall state whether the Series 2016A 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 Authority shall electronically file with the MSRB notice of such termination.

9. No Authority or Trustee Responsibility.

The Authority (as conduit issuer) is not, (i) for purposes of and within the meaning of Rule 15c2-12 obligated to make payment of all, or part of, the obligations on the Bonds from its own resources, or (ii) a person for whom annual financial information be provided.

(i) Except as set forth herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) The Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Resolution for matters arising thereunder.

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.

11. Counterparts.

This Agreement may be executed in counterparts by the parties hereto, and each such counterpart shall be considered an original and all such counterparts shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the date first written above.

MANUFACTURERS AND TRADERS TRUST COMPANY

TRUSTEE FOR THE BENEFIT OF THE HOLDERS

BY: ______________________________

Authorized Officer

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

ISSUER

BY: ______________________________

Authorized Officer

STATE OF NEW YORK

OBLIGATED PERSON

BY: COMPTROLLER

BY: ______________________________
NAME:
TITLE:

BY: DIRECTOR OF THE BUDGET

BY: ______________________________
NAME:
TITLE:

Appendix G

SUMMARY OF REFUNDED BONDS

The following is a list of the Dormitory Authority of the State of New York Department of Health of the State of New York bonds that will be refunded with a portion of the proceeds of the Series 2016A Bonds, together with other available funds. All of the bonds listed below are the Refunded Bonds as described in "PART 6—THE REFUNDING PLAN."

Series	Maturity	Outstanding Principal Amount	Principal Amount Redeemed	Interest Rate	Redemption Price	Redemption Date	CUSIP†
1999A	07/01/2028*	$ 4,970,000	$ 4,970,000	5.000%	100%	11/21/2016	64990HJY7
2003	07/01/2017	$11,555,000	$11,555,000	5.250%	100%	11/21/2016	64983UR36
	07/01/2023*	1,715,000	1,715,000	5.250	100	11/21/2016	64983UR44
2004-1	07/01/2021	$ 2,980,000	$ 2,980,000	5.000%	100%	11/21/2016	64983TAQ6
	07/01/2022	3,130,000	3,130,000	5.000	100	11/21/2016	64983TAR4
	07/01/2023	3,285,000	3,285,000	5.000	100	11/21/2016	64983TAS2
2004-2	07/01/2017	$ 160,000	$ 160,000	4.000%	100%	11/21/2016	64983TLE1
	07/01/2018	12,075,000	12,075,000	5.000	100	11/21/2016	64983TLF8
	07/01/2019	12,675,000	12,675,000	5.000	100	11/21/2016	64983TLG6
	07/01/2020	13,300,000	13,300,000	5.000	100	11/21/2016	64983TLH4
	07/01/2021	13,965,000	13,965,000	5.000	100	11/21/2016	64983TLJ0
	07/01/2022	14,660,000	14,660,000	5.000	100	11/21/2016	64983TLK7
2005A	07/01/2017	$ 80,000	$ 80,000	4.250%	100%	11/21/2016	64983R3B1
	07/01/2018	85,000	85,000	4.300	100	11/21/2016	64983R3C9
	07/01/2019	90,000	90,000	4.400	100	11/21/2016	64983R3D7
	07/01/2020	90,000	90,000	4.400	100	11/21/2016	64983R3E5
	07/01/2021	95,000	95,000	4.500	100	11/21/2016	64983R3F2
	07/01/2022	100,000	100,000	4.500	100	11/21/2016	64983R3G0
	07/01/2023	15,670,000	15,670,000	5.000	100	11/21/2016	64983R3H8
	07/01/2024	16,470,000	16,470,000	5.250	100	11/21/2016	64983R3J4
	07/01/2025	17,305,000	17,305,000	5.000	100	11/21/2016	64983R3K1
2006A	07/01/2017	$ 575,000	$ 575,000	4.250%	100%	11/21/2016	64983MAZ1
	07/01/2018	600,000	600,000	4.250	100	11/21/2016	64983MBA5
	07/01/2019	630,000	630,000	4.375	100	11/21/2016	64983MBB3
	07/01/2020	655,000	655,000	4.500	100	11/21/2016	64983MBC1
	07/01/2021	685,000	685,000	4.500	100	11/21/2016	64983MBD9
	07/01/2022	720,000	720,000	4.500	100	11/21/2016	64983MBE7
	07/01/2023	750,000	750,000	4.500	100	11/21/2016	64983MBF4
	07/01/2024	785,000	785,000	4.500	100	11/21/2016	64983MBG2
	07/01/2025	825,000	825,000	4.500	100	11/21/2016	64983MBH0
	07/01/2026	860,000	860,000	4.500	100	11/21/2016	64983MBJ6
	07/01/2031*	5,005,000	5,005,000	5.000	100	11/21/2016	64983MBK3
	07/01/2036*	6,380,000	6,380,000	4.750	100	11/21/2016	64983MBL1

* The Refunded Bonds will be credited against the following mandatory redemption dates:

DASNY Department of Health of the State of New York Revenue, Series 1999A
2028 Term Bond

Date	Amount	Date	Amount
07/01/2025	$ 1,155,000	07/01/2027	$ 1,270,000
07/01/2026	1,210,000	07/01/2028	1,335,000

DASNY Department of Health of the State of New York Revenue Refunding, Series 2003
2023 Term Bond

Date	Amount	Date	Amount
07/01/2018	$ 250,000	07/01/2021	$ 290,000
07/01/2019	265,000	07/01/2022	310,000
07/01/2020	280,000	07/01/2023	320,000

DASNY Department of Health of the State of New York Revenue, Series 2006A
2031 Term Bond

Date	Amount	Date	Amount
07/01/2027	$ 905,000	07/01/2030	$ 1,050,000
07/01/2028	950,000	07/01/2031	1,100,000
07/01/2029	1,000,000		

DASNY Department of Health of the State of New York Revenue, Series 2006A
2036 Term Bond

Date	Amount	Date	Amount
07/01/2032	$ 1,155,000	07/01/2035	$ 1,335,000
07/01/2033	1,215,000	07/01/2036	1,400,000
07/01/2034	1,275,000		

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • DEPARTMENT OF HEALTH OF THE STATE OF NEW YORK REVENUE REFUNDING BONDS, SERIES 2016A