



\$1,170,800,000		
DORMITORY AUTHORITY OF THE STATE OF NEW YORK		
STATE PERSONAL INCOME TAX REVENUE BONDS		
(GENERAL PURPOSE)		
\$1,043,650,000	\$29,770,000	\$97,380,000
Series 2015B	Series 2015C	Series 2015D
(Tax-Exempt)	(Tax-Exempt)	(Federally Taxable)
Dated: Date of Delivery		Due: As Shown on the Inside Cover

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2015B (Tax-Exempt) (the “Series 2015B Bonds”), the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2015C (Tax-Exempt) (the “Series 2015C Bonds”) and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose), Series 2015D (Federally Taxable) (the “Series 2015D Bonds” and together with the Series 2015B Bonds and the Series 2015C Bonds, the “Series 2015 Bonds”), are special obligations of the Dormitory Authority of the State of New York (“DASNY”). The Series 2015 Bonds are secured by a pledge of certain payments (the “Financing Agreement Payments”) to be made to the Trustee on behalf of DASNY by the State of New York (the “State”) under a Financing Agreement (the “Financing Agreement”) between DASNY and the State, acting by and through the Director of the Division of the Budget (the “Director of the Budget”). Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2015 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State personal income tax receipts imposed by Article 22 of the New York State Tax Law (the “New York State Personal Income Tax Receipts”) as more fully described herein.

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

The Series 2015 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2015 Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds. DASNY has no taxing power.

The Series 2015 Bonds will be issued as fixed rate obligations, fully registered, in denominations of \$5,000 or any integral multiple thereof. The Series 2015 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2015 Bonds is payable on each February 15 and August 15, commencing August 15, 2015.

The Series 2015 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See “PART 8—BOOK-ENTRY ONLY SYSTEM” herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2015 Bonds, payments of principal or redemption price of and interest on the Series 2015 Bonds will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co.

The Series 2015 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to DASNY (collectively, “Co-Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015B Bonds and the Series 2015C 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2015C Bond for any period during which the Series 2015C Bond is held by a person who, within the meaning of section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2015C Bonds or a “related person,” (ii) interest on the Series 2015B 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, and (iii) interest on the Series 2015C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. Co-Bond Counsel also are of the opinion that interest on the Series 2015D Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, Co-Bond Counsel are of the opinion that under existing statutes, interest on the Series 2015 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See “PART 13—TAX MATTERS” herein regarding certain other tax considerations.

The Series 2015 Bonds are offered, when, as and if issued and delivered to the purchasers, and are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, and to certain other conditions. It is expected that the Series 2015 Bonds will be delivered in definitive form in New York, New York on or about June 19, 2015.

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

\$1,043,650,000

State Personal Income Tax Revenue Bonds (General Purpose), Series 2015B (Tax-Exempt)

Due February 15	Amount	Interest Rate	Yield	CUSIP Numbers[†]	Due February 15	Amount	Interest Rate	Yield	CUSIP Numbers[†]
2017	\$21,780,000	5.000%	0.620%	64990EH26	2032	\$41,370,000	5.000%	3.330%*	64990EC54
2018	22,860,000	5.000	1.040	64990EH34	2033	43,445,000	5.000	3.380*	64990EC62
2019	24,015,000	5.000	1.340	64990EH42	2034	45,610,000	5.000	3.420*	64990EC70
2020	25,220,000	5.000	1.600	64990EH59	2035	47,895,000	5.000	3.460*	64990EC88
2021	26,475,000	5.000	1.880	64990EH67	2036	32,850,000	5.000	3.480*	64990EC96
2022	27,570,000	5.000	2.140	64990EH75	2037	34,490,000	5.000	3.520*	64990ED20
2023	28,950,000	5.000	2.290	64990EH83	2038	36,215,000	5.000	3.560*	64990ED38
2024	30,385,000	5.000	2.470	64990EH91	2039	38,030,000	5.000	3.590*	64990ED46
2025	31,920,000	5.000	2.610	64990EJ24	2040	39,920,000	5.000	3.640*	64990ED53
2026	31,410,000	5.000	2.760*	64990EB71	2041	41,920,000	5.000	3.660*	64990ED61
2027	32,990,000	5.000	2.890*	64990EB89	2042	44,020,000	5.000	3.680*	64990ED79
2028	34,645,000	5.000	3.010*	64990EB97	2043	46,215,000	5.000	3.690*	64990ED87
2029	36,365,000	5.000	3.120*	64990EC21	2044	48,535,000	5.000	3.700*	64990ED95
2030	38,190,000	5.000	3.220*	64990EC39	2045	50,955,000	5.000	3.710*	64990EE29
2031	39,405,000	5.000	3.280*	64990EC47					

\$29,770,000

State Personal Income Tax Revenue Bonds (General Purpose), Series 2015C (Tax-Exempt)

Due February 15	Amount	Interest Rate	Yield	CUSIP Numbers[†]	Due February 15	Amount	Interest Rate	Yield	CUSIP Numbers[†]
2017	\$ 580,000	4.000%	0.650%	64990EE37	2028	\$ 905,000	3.000%	3.150%	64990EF69
2018	600,000	4.000	1.050	64990EE45	2029	925,000	3.125	3.250	64990EF77
2019	630,000	4.000	1.400	64990EE52	2030	960,000	3.250	3.350	64990EF85
2020	655,000	4.000	1.680	64990EE60	2031	990,000	3.250	3.450	64990EF93
2021	675,000	4.000	2.000	64990EE78	2032	1,020,000	3.250	3.500	64990EG27
2022	705,000	4.000	2.250	64990EE86	2033	1,050,000	3.375	3.550	64990EG35
2023	730,000	5.000	2.400	64990EE94	2034	1,090,000	3.375	3.600	64990EG43
2024	770,000	5.000	2.530	64990EF28	2035	1,125,000	3.500	3.650	64990EG50
2025	815,000	5.000	2.650	64990EF36	2036	1,160,000	3.500	3.700	64990EG68
2026	850,000	3.000	2.900*	64990EF44	2037	1,210,000	3.500	3.750	64990EG92
2027	875,000	3.000	3.050	64990EF51					

\$3,895,000 3.750% Term Bond due February 15, 2040 Yield 3.820% CUSIP Number[†] 64990EG76

\$7,555,000 4.000% Term Bond due February 15, 2045 Yield 3.900%* CUSIP Number[†] 64990EG84

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* Priced at the stated yield to the February 15, 2025 optional redemption date at a redemption price of 100%.

\$97,380,000
State Personal Income Tax Revenue Bonds (General Purpose), Series 2015D (Federally Taxable)

<u>Due February 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers[†]</u>	<u>Due February 15</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Numbers[†]</u>
2017	\$10,035,000	0.930%	100.00	64990EJ32	2022	\$10,950,000	2.810%	100.00	64990EJ81
2018	10,135,000	1.390	100.00	64990EJ40	2023	11,260,000	3.070	100.00	64990EJ99
2019	10,265,000	1.790	100.00	64990EJ57	2024	11,605,000	3.220	100.00	64990EK22
2020	10,455,000	2.260	100.00	64990EJ65	2025	11,985,000	3.320	100.00	64990EK30
2021	10,690,000	2.460	100.00	64990EJ73					

[†] Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2015 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 2015 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2015 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2015 Bonds.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by DASNY, the State and other sources which are believed to be reliable by DASNY and with respect to the information supplied or authorized by the State, is not to be construed as a representation by DASNY. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of DASNY or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

In connection with offers and sales of the Series 2015 Bonds, no action has been taken by DASNY that would permit a public offering of the Series 2015 Bonds, or possession or distribution of any information relating to the pricing of the Series 2015 Bonds, this Official Statement or any other offering or publicity material relating to the Series 2015 Bonds, in any non-U.S. jurisdiction where action for that purpose is required. Accordingly, initial purchasers are obligated to comply with all applicable laws and regulations in force in any non-U.S. jurisdiction in which it purchases, offers or sells the Series 2015 Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Series 2015 Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Series 2015 Bonds under the laws and regulations in force in any non-U.S. jurisdiction to which it is subject or in which it makes such purchases, offers or sales and DASNY shall have no responsibility therefor.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

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PART 1—SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2015 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

<p>State Personal Income Tax Revenue Bond Financing Program</p>	<p>Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”) by establishing the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the “Commissioner”) and the Comptroller of the State (the “State Comptroller”).</p> <p>The Enabling Act authorizes the Dormitory Authority of the State of New York (“DASNY”), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority (the “Thruway Authority”) and the New York State Urban Development Corporation, doing business as Empire State Development (“ESD” and collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including DASNY.</p> <p>State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured solely by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.</p>
<p>Purpose of Issue</p>	<p>The Series 2015 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State and refunding certain outstanding bonds previously issued by DASNY. In addition, proceeds of the Series 2015 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2015 Bonds. For a more complete description of the expected application of proceeds of the Series 2015 Bonds, see “PART 6—THE PROJECTS” and “PART 7—THE REFUNDING PLAN.” See “APPENDIX F—SUMMARY OF REFUNDED BONDS” for a list of the bonds to be refunded.</p>

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

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

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

New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2013-14 through 2015-16 are as follows:

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Revenue Bond Tax Fund Receipts</u>
	<i>(\$ in billions)</i>		
2013-14	\$43.0	\$33.4	\$10.7
2014-15	43.7	34.9	10.9
2015-16*	47.1	36.9	11.8

* As estimated in the FY 2016 Enacted Budget Financial Plan.

The Series 2015 Bonds are special obligations of DASNY, being secured by a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of DASNY and certain funds held by the Trustee under DASNY’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “General Resolution”).

The Series 2015 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds (of which \$29.8 billion were outstanding as of June 1, 2015) are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State.

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

<p>Sources of Payment and Security for State Personal Income Tax Revenue Bonds— Revenue Bond Tax Fund Receipts</p> <p><i>(continued)</i></p>	<p>to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.</p> <p>The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND.”</p> <p>The Series 2015 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2015 Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, the premium, if any, or interest on the Series 2015 Bonds. DASNY has no taxing power.</p> <p>The Series 2015 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by the application of the proceeds of Series 2015 Bonds.</p>
<p>Set Aside for Purpose of Making Financing Agreement Payments</p>	<p>The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.</p> <p>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2015-16.</p> <p>See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS.”</p>

<p>Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts</p>	<p>If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund of the State (the “General Fund”) to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.</p>
<p>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</p>	<p>In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including DASNY.</p> <p>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are to be paid over and distributed to the credit of the General Fund. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund.”</p>
<p>Additional Bonds and Debt Service Coverage</p>	<p>The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to (a) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for particular Authorized Purposes and (b) the additional bonds test described below and included in each general resolution authorizing State Personal Income Tax Revenue Bonds.</p> <p>As provided in the General Resolution, and in each of the general resolutions of the other Authorized Issuers, additional State Personal Income Tax Revenue Bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, the additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.</p> <p>In accordance with the additional bonds debt service coverage test described above, Revenue Bond Tax Fund Receipts of approximately \$11.3 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 3.9 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the</p>

<p>Additional Bonds and Debt Service Coverage</p> <p><i>(continued)</i></p>	<p>debt service on the Series 2015 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. While additional State Personal Income Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes as noted herein, in no event may any additional State Personal Income Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Projected Debt Service Coverage.”</p> <p>As of June 1, 2015, approximately \$29.8 billion of State Personal Income Tax Revenue Bonds were outstanding.</p>
<p>Appropriation by State Legislature</p>	<p>The State Legislature is expected to make appropriations annually from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. Such an appropriation has been enacted for State Fiscal Year 2015-16.</p> <p>Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for State general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation bonds. In the event that such revenues and other amounts in the General Fund are insufficient to pay State general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund as well as other funds to pay debt service on State general obligation bonds.</p> <p>The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.</p>
<p>Continuing Disclosure</p>	<p>In order to assist the initial purchasers of the Series 2015 Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”), all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See “PART 20—CONTINUING DISCLOSURE” and “APPENDIX E – EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT.”</p>

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

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

OFFICIAL STATEMENT

Relating to

\$1,170,800,000

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

\$1,043,650,000
Series 2015B
(Tax-Exempt)

\$29,770,000
Series 2015C
(Tax-Exempt)

\$97,380,000
Series 2015D
(Federally Taxable)

PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary Statement and appendices, is to set forth certain information concerning the State and Dormitory Authority of the State of New York (“DASNY”), a public benefit corporation of the State, in connection with the offering by DASNY of its \$1,043,650,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2015B (Tax-Exempt) (the “Series 2015B Bonds”), \$29,770,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2015C (Tax-Exempt) (the “Series 2015C Bonds”) and \$97,380,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2015D (Federally Taxable) (the “Series 2015D Bonds” and together with the Series 2015B Bonds and the Series 2015C Bonds, the “Series 2015 Bonds”). The interest rates, maturity dates, and prices or yields of the Series 2015 Bonds being offered hereby are set forth on the inside cover pages of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the “State Personal Income Tax Revenue Bonds”), including the Series 2015 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law (“Tax Law”) which, pursuant to Section 171-a of the Tax Law (the “New York State Personal Income Tax Receipts”), are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Bonds. Under current law, such New York State Personal Income Tax Receipts exclude refunds owed to taxpayers. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — The Revenue Bond Tax Fund.”

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

The Series 2015 Bonds are authorized to be issued pursuant to the Enabling Act, and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the “Authority Act”), and other provisions of State law. The Enabling Act authorizes the Authorized Issuers to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (the “Authorized Purposes”). The issuance of State-supported Debt is limited in the State Finance Law to the financing of capital works or purposes only, which include the acquisition, construction, demolition or replacement of fixed assets, the major repair or renovation thereof, or the planning or design of the acquisition, construction, demolition, replacement, repair or renovation of fixed assets. The Enabling Act, together with the Authority Act, constitute the “Authorizing Legislation.”

The Series 2015 Bonds are additionally authorized under DASNY’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by DASNY on April 29, 2009 (the “General Resolution”), as supplemented by DASNY’s Supplemental Resolution 2015-1 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by DASNY on May 13, 2015 (the “Series 2015 Supplemental Resolution”) (such General Resolution, together with the Series 2015 Supplemental Resolution, being herein, except as the context otherwise indicates, collectively referred to as the “Resolution,” and any bonds issued pursuant to the General Resolution, including the Series 2015 Bonds, being herein referred to as the “Bonds”).

The Series 2015 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2015 Bonds and all other State Personal Income Tax Revenue Bonds which have heretofore been issued or may be issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the “Pledged Property” with respect to each such Authorized Issuer, including DASNY). The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds adopted by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are required to be equal to the amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of June 1, 2015 approximately \$29.8 billion of State Personal Income Tax Revenue Bonds were outstanding. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2015 Bonds” and “—Additional Bonds.”

The Series 2015 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State and refunding certain outstanding bonds previously issued by DASNY. In addition, proceeds of the Series 2015 Bonds will be used to pay all or part of the cost of issuance of the Series 2015 Bonds. See

“PART 6—THE PROJECTS” and “PART 7—THE REFUNDING PLAN” for a more complete description of the expected application of proceeds of the Series 2015 Bonds. **The Series 2015 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed with proceeds of the Series 2015 Bonds.**

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

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

The Series 2015 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2015 Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds. DASNY has no taxing power.

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

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

The Revenue Bond Tax Fund

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

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax

Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

Series 2015 Bonds

The Series 2015 Bonds are special obligations of DASNY, secured by and payable from Financing Agreement Payments payable by the State Comptroller to U.S. Bank National Association, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of DASNY in accordance with the terms and provisions of the Financing Agreement subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the Resolution). A copy of the Financing Agreement relating to the Series 2015 Bonds is included as Appendix C hereto. The Series 2015 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property. The Pledged Property with respect to the Series 2015 Bonds consists of (i) the payments made pursuant to the Financing Agreement and (ii) the Funds and accounts established under the General Resolution (other than the Rebate Fund and the Administrative Fund as provided in the Resolution) and the investment earnings thereon.

The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately \$11.3 billion are available to pay financing agreement payments on a pro-forma basis, which amount represents approximately 3.9 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2015 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been satisfied. See “–Additional Bonds” below and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND—Projected Debt Service Coverage.”

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

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

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

The Enabling Act provides that:

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

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

The Director of the Budget may amend such certification as shall be necessary, provided that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Personal Income Tax Revenue Bonds, including refunding bonds, or after the execution of any

interest rate exchange (or “swap”) agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

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

Set Aside of Revenue Bond Tax Fund Receipts

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

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

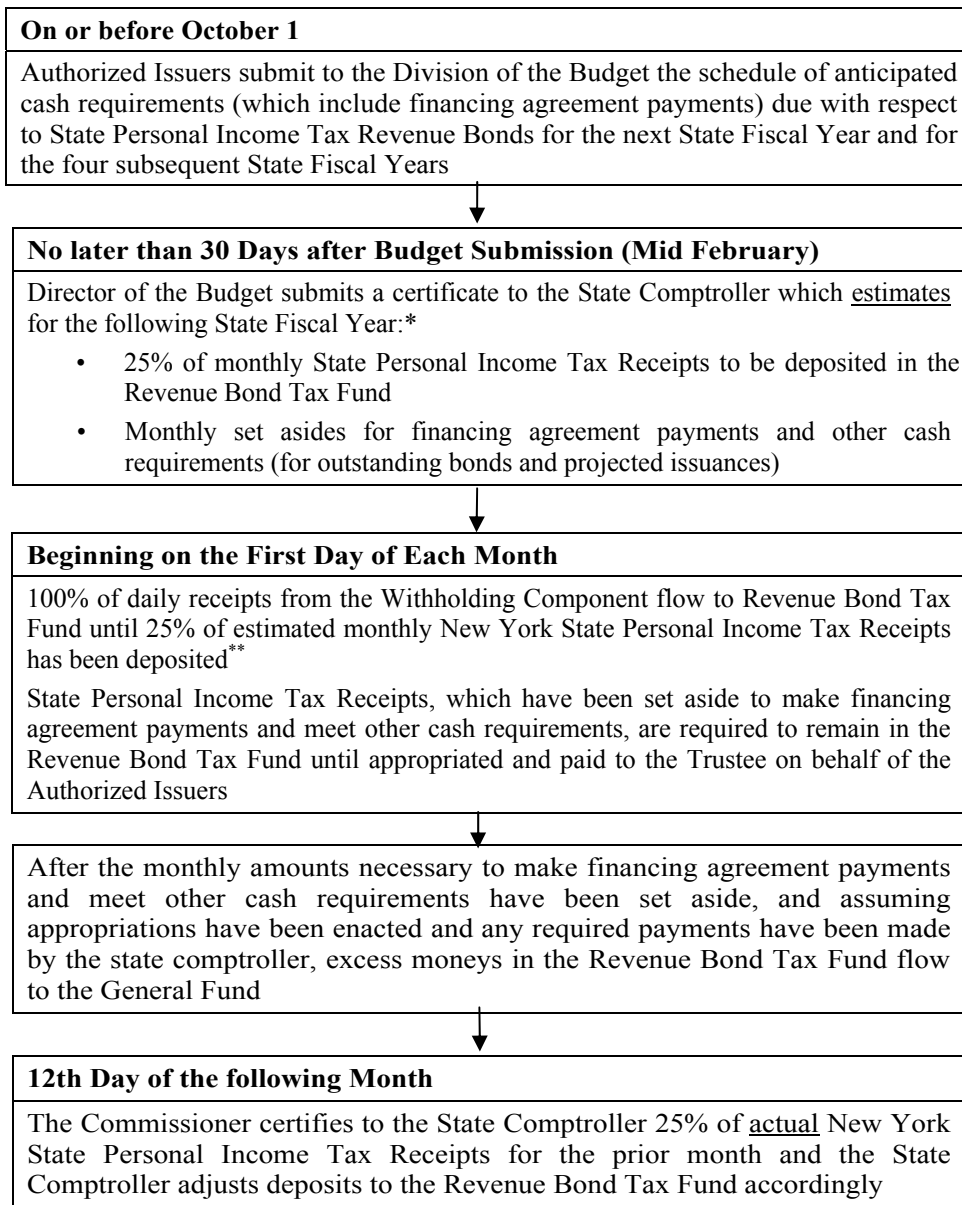
The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders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

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

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

Flow of Revenue Bond Tax Fund Receipts

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



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

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

Moneys Held in the Revenue Bond Tax Fund

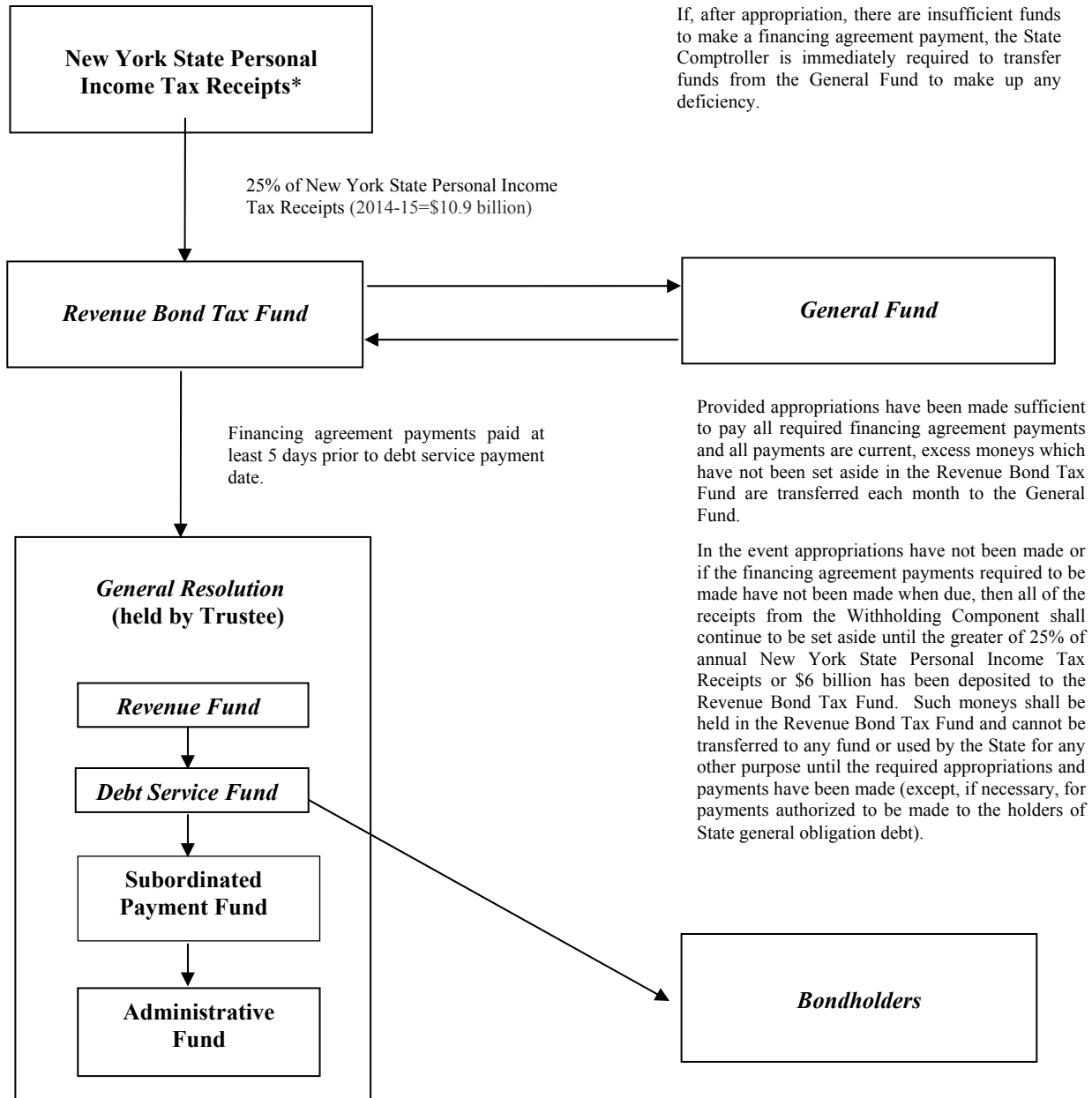
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to DASNY and other Authorized Issuers (which are paid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

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

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

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

Flow of Revenues



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

Appropriation by the State Legislature

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

cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See “– Moneys Held in the Revenue Bond Tax Fund” in this section.

DASNY expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of the annual New York State Personal Income Tax Receipts or six billion dollars (\$6,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the Tax Law.

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

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

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

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual

appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.

Additional Bonds

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

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

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

Parity Reimbursement Obligations

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

Certain Covenants of the State

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

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

Reservation of State's Right to Substitute Credit

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

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

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

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

General History of the State Personal Income Tax

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

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

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

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

Personal Income Tax Rates

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with \$100,000 or more of AGI, the savings from graduated marginal tax rates is recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, which added two additional rates and brackets. The following tables set forth the rate schedules for tax years 2015 through 2017 and for tax years after 2017 which revert to the rate schedule in effect for the 2008 tax year except that the tax brackets are permanently indexed for cost of living adjustments starting in tax year 2013.

New York State Personal Income Tax Rates for Tax Years 2015 Through 2017*

Married Filing Jointly and Qualified Widow(er)

Taxable Income:

	Tax [±]
Not over \$16,950.....	4% of taxable income
Over \$16,950 but not over \$23,300.....	\$678 plus 4.50% of excess over \$16,950
Over \$23,300 but not over \$27,550.....	\$964 plus 5.25% of excess over \$23,300
Over \$27,550 but not over \$42,450.....	\$1,187 plus 5.90% of excess over \$27,550
Over \$42,450 but not over \$159,350.....	\$2,066 plus 6.45% of excess over \$42,450
Over \$159,350 but not over \$318,750.....	\$9,606 plus 6.65% of excess over \$159,350
Over \$318,750 but not over \$2,125,450.....	\$20,206 plus 6.85% of excess over \$318,750
Over \$2,125,450.....	\$143,965 plus 8.82% of excess over \$2,125,450

Single, Married Filing Separately, Estates and Trusts

Taxable Income:

Not over \$8,400	4% of taxable income
Over \$8,400 but not over \$11,600.....	\$336 plus 4.50% of excess over \$8,400
Over \$11,600 but not over \$13,750.....	\$480 plus 5.25% of excess over \$11,600
Over \$13,750 but not over \$21,150.....	\$593 plus 5.90% of excess over \$13,750
Over \$21,150 but not over \$79,600.....	\$1,029 plus 6.45% of excess over \$21,150
Over \$79,600 but not over \$212,500.....	\$4,800 plus 6.65% of excess over \$79,600
Over \$212,500 but not over \$1,062,650.....	\$13,637 plus 6.85% of excess over \$212,500
Over \$1,062,650.....	\$71,873 plus 8.82% of excess over \$1,062,650

Head of Household

Taxable Income:

Not over \$12,700.....	4% of taxable income
Over \$12,700 but not over \$17,450.....	\$508 plus 4.50% of excess over \$12,700
Over \$17,450 but not over \$20,650.....	\$722 plus 5.25% of excess over \$17,450
Over \$20,650 but not over \$31,800.....	\$890 plus 5.90% of excess over \$20,650
Over \$31,800 but not over \$106,200.....	\$1,548 plus 6.45% of excess over \$31,800
Over \$106,200 but not over \$265,600.....	\$6,346 plus 6.65% of excess over \$106,200
Over \$265,600 but not over \$1,594,050.....	\$16,947 plus 6.85% of excess over \$265,600
Over \$1,594,050.....	\$107,945 plus 8.82% of excess over \$1,594,050

* Tax year 2015 marks the third year of tax bracket inflation adjustment, based originally on tax year 2012 brackets. Income and tax amounts for tax years 2016 and beyond may change due to cost of living adjustments.

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds \$2,175,450 for married filing jointly taxpayers in 2015, all taxable income becomes effectively subject to a flat 8.82 percent tax rate.

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

Married Filing Jointly

Taxable Income:

	Tax [±]
Not over \$16,950.....	4% of taxable income
Over \$16,950 but not over \$23,300.....	\$678 plus 4.50% of excess over \$16,950
Over \$23,300 but not over \$27,550.....	\$964 plus 5.25% of excess over \$23,300
Over \$27,550 but not over \$42,450.....	\$1,187 plus 5.90% of excess over \$27,550
Over \$42,450.....	\$2,066 plus 6.85% of excess over \$42,450

Single, Married Filing Separately, Estates and Trusts

Taxable Income:

Not over \$8,400	4% of taxable income
Over \$8,400 but not over \$11,600.....	\$336 plus 4.50% of excess over \$8,400
Over \$11,600 but not over \$13,750.....	\$480 plus 5.25% of excess over \$11,600
Over \$13,750 but not over \$21,150.....	\$593 plus 5.90% of excess over \$13,750
Over \$21,150.....	\$1,029 plus 6.85% of excess over \$21,150

Head of Household

Taxable Income:

Not over \$12,700.....	4% of taxable income
Over \$12,700 but not over \$17,450.....	\$508 plus 4.50% of excess over \$12,700
Over \$17,450 but not over \$20,650.....	\$722 plus 5.25% of excess over \$17,450
Over \$20,650 but not over \$31,800.....	\$890 plus 5.90% of excess over \$20,650
Over \$31,800.....	\$1,548 plus 6.85% of excess over \$31,800

* Tax year 2015 marks the third year of tax bracket inflation adjustment, based originally on tax year 2012 brackets. Income and tax amounts for tax years from 2016 and 2017 may change due to cost of living adjustments.

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds \$156,200 plus a cost of living adjustment covering the period from 2015 through 2017, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

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

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

Revenue Bond Tax Fund Receipts

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

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

In State Fiscal Year 2014-15, New York State Personal Income Tax Receipts were approximately \$43.7 billion and accounted for approximately 62 percent of State tax receipts in all State Funds. The 2015-16 Enacted Budget Financial Plan estimates New York State Personal Income Tax Receipts at \$47.1 billion for State Fiscal Year 2015-16.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 2005-06 through 2015-16. The Withholding Component can exceed New

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

**NYS Personal Income Tax Receipts, Withholding Components and
State Revenue Bonds Tax Fund Receipts
State Fiscal Years 2005-06 through 2015-16**

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Withholding/State Personal Income Tax Receipts</u>	<u>Revenue Bond Tax Fund Receipts*</u>
2005-06.....	\$27,599,721,585	\$24,760,667,777	89.7%	\$ 6,899,930,396
2006-07.....	30,586,021,803	26,802,005,019	87.6	7,646,505,451
2007-08.....	36,563,948,528*	28,440,134,437	77.8	9,140,987,132*
2008-09.....	36,840,019,400*	27,686,157,203	75.2	9,210,004,850*
2009-10.....	34,751,381,665*	29,443,180,489	84.7	8,687,845,416*
2010-11.....	36,209,215,560*	31,240,169,745	86.3	9,052,303,890*
2011-12.....	38,767,826,942*	31,198,971,588	80.5	9,691,956,736*
2012-13.....	40,226,714,989*	31,957,653,106	79.4	10,056,678,747*
2013-14.....	42,960,774,915*	33,367,555,788	77.7	10,740,193,729*
2014-15.....	43,709,833,323*	34,906,793,775	79.9	10,927,458,331*
2015-16 (est.).....	47,075,000,000*	36,940,000,000	78.5	11,768,800,000*

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

In State Fiscal Year 2014-15, New York State Personal Income Tax Receipts totaled approximately \$43.7 billion. The 2015-16 Enacted Budget Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 7.7% to \$47.1 billion in State Fiscal Year 2015-16.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the Division of the Budget for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see “—General History of the State Personal Income Tax” above) that will affect each year’s tax liability. **The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts.** Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year-over-year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2002-03, and 2009-10.

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

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 2006 through 2015.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2006 to 2015*

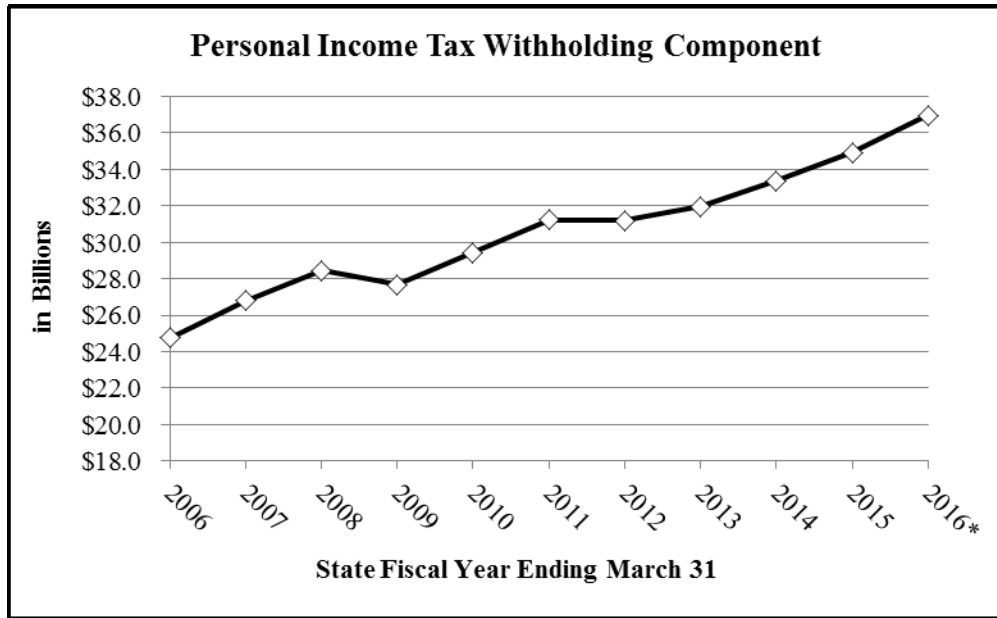
Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
			<i>(\$ in millions)</i>	
2006	\$632,601	10.6%	\$29,605	3.9%
2007	725,245	14.6	35,215	19.0
2008	662,053	(8.7)	31,621	(10.2)
2009	596,471	(9.9)	31,162	(1.5)
2010	638,855	7.1	34,834	11.8
2011	657,298	2.9	36,296	4.2
2012	714,698	8.7	38,046	4.8
2013 (est.)	713,749	(0.1)	37,267	(2.0)
2014 (proj.)	770,788	8.0	40,746	9.3
2015 (proj.)	802,393	4.1	42,881	5.2

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

The table indicates that under the State’s progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Beginning in 2003, tax liability and adjusted gross income grew for five consecutive years, as the State economy recovered and entered a robust period of expansion. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in 2008 and 2009. The 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers. These rates were subsequently extended through 2017 in the 2013-14 Enacted Budget.

The following graph shows the history of withholding receipts since State Fiscal Year 2005-06. Like overall adjusted gross incomes and tax liabilities, withholding steadily increased each year through State Fiscal Year 2010-11 except the recession-related State Fiscal Year 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge, which applied during State Fiscal Years 2004-05 through 2005-06 and for State Fiscal Years 2009-10 through 2010-11. Withholding receipts for State Fiscal Year 2015-16 are estimated to be \$2.0 billion (5.8 percent) higher compared to State Fiscal Year 2014-15.

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* Estimated.

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

Debt Service Coverage

The following table sets forth (1) Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum Calculated Debt Service on the outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2015 Bonds, and (3) resulting debt service coverage. There can be no assurance that actual Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting Personal Income Tax Receipts that cannot be predicted at this time.

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

Revenue Bond Tax Fund Receipts	\$11,268,800
Maximum Calculated Debt Service	\$2,892,994
Debt Service Coverage	3.9x

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Annual Information Statement of the State of New York dated June 1, 2015), including assumed average State Personal Income Tax Revenue Bond issuances of approximately \$3.9 billion annually over the next four years, State Personal Income Tax Revenue Bond debt service coverage based only upon the Revenue Bond Fund’s receipt of the New York State Personal Income Tax Receipts is expected to decline from 3.9 times in State Fiscal Year 2015-16 to 3.3 times in State Fiscal Year 2018-19.

Projected Debt Service Coverage on State Personal Income Tax Revenue Bonds
State Fiscal Years 2015-16 through 2018-19
(Dollars in Thousands)

	FY 2016	FY 2017	FY 2018	FY 2019
Projected Revenue Bond Tax Fund Receipts	\$11,768,714	\$12,528,982	\$13,261,732	\$13,306,538
Projected New State Personal Income Tax Revenue Bonds Issuances	3,319,660	4,187,914	4,146,692	4,139,426
Projected Total State Personal Income Tax Revenue Bonds Outstanding	31,781,093	34,412,886	36,824,374	39,016,589
Projected Maximum Annual Debt Service	3,055,454	3,398,496	3,755,502	4,128,942
Projected Debt Service Coverage	3.9x	3.7x	3.5x	3.3x

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

PART 5—DESCRIPTION OF THE SERIES 2015 BONDS

General

The Series 2015 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery. Interest on the Series 2015 Bonds is payable August 15, 2015, and on each February 15 and August 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2015 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2015 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York, which will act as bond depository for the Series 2015 Bonds. Principal or redemption price of and interest on the Series 2015 Bonds are payable by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See “PART 8—BOOK-ENTRY ONLY SYSTEM” below).

Optional Redemption

Series 2015B Bonds

The Series 2015B Bonds maturing on or before February 15, 2025 are not subject to optional redemption prior to maturity. The Series 2015B Bonds maturing after February 15, 2025 are subject to optional redemption prior to maturity on or after February 15, 2025, in any order, at the option of DASNY, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

Series 2015C Bonds

The Series 2015C Bonds maturing on or before February 15, 2025 are not subject to optional redemption prior to maturity. The Series 2015C Bonds maturing after February 15, 2025 are subject to optional redemption prior to maturity on or after February 15, 2025 in any order, at the option of DASNY, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

Series 2015D Bonds

The Series 2015D Bonds are subject to optional redemption prior to maturity as a whole or in part, at the option of DASNY, on any Business Day, at the Make-Whole Redemption Price.

The “Make-Whole Redemption Price” is the greater of (i) 100% of the principal amount of the Series 2015D Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2015D Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2015D Bonds are to be redeemed, discounted to the date on which the Series 2015D Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus 20 basis points, plus, in each case, accrued and unpaid interest on the Series 2015D Bonds to be redeemed on the redemption date.

The “Treasury Rate” is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2015D Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Mandatory Redemption of Series 2015C Bonds

The Series 2015C Bonds are also subject to extraordinary mandatory redemption prior to maturity, in whole or in part, at any time, by lot among Series 2015C Bonds of the same maturity, at the redemption price of par, plus accrued interest to the redemption date, in the event (i) moneys derived from the net proceeds of insurance or condemnation awards have been deposited in the Debt Service Fund with respect to the voluntary agency facilities financed with proceeds of the Series 2015C Bonds, or (ii) moneys derived as a result of a default by a voluntary agency receiving a loan from proceeds of the Series 2015C Bonds have been deposited in the Debt Service Fund.

The Series 2015C Bonds are also subject to extraordinary mandatory redemption prior to maturity, in whole or in part, at any time, by lot among Series 2015C Bonds of the same maturity, at the applicable Redemption Price (defined below), plus accrued interest to the redemption date, in the event moneys not used to make loans to finance the voluntary agency facilities are on deposit in the Bond Proceeds Fund or the Debt Service Fund. The Redemption Price, expressed as a percent, as of a redemption date will be equal to: (A) in the case of a Series 2015C Bond initially sold with original issue premium, the present value of the remaining payments of principal of and interest on such Series 2015C Bond to be redeemed (not including any portion of those payments of interest accrued and unpaid as of the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the initial offering yield of such Series 2015C

Bond, as shown on the inside cover of this Official Statement, divided by the principal amount of such Series 2015C Bond to be redeemed; such Redemption Price determined by assuming that the principal of such Series 2015C Bond to be redeemed is paid at the earlier of maturity or the first optional redemption date for the Series 2015C Bonds (if applicable), as described above, or (B) in the case of a Series 2015C Bond initially sold at par or a discount, 100% of the principal amount of such Series 2015C Bond.

If fewer than all of the Series 2015C Bonds of the same maturity are to be redeemed, the particular Series 2015C Bonds of such maturity to be redeemed will be determined as set forth below under “—Selection of Bonds to be Redeemed; Notice of Redemption.”

Mandatory Sinking Fund Redemption

The Series 2015C Bonds maturing on February 15, 2040 and February 15, 2045 are Term Bonds subject to mandatory redemption in part, on February 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

<u>Series 2015C Term Bond Maturing February 15, 2040</u>		<u>Series 2015C Term Bond Maturing February 15, 2045</u>	
<u>Year</u>	<u>Sinking Fund Installments</u>	<u>Year</u>	<u>Sinking Fund Installments</u>
2038	\$1,250,000	2041	\$1,395,000
2039	1,300,000	2042	1,455,000
2040†	1,345,000	2043	1,505,000
		2044	1,570,000
		2045†	1,630,000

† Stated maturity.

In connection with any optional redemption, extraordinary mandatory redemption or purchase and cancellation of the Series 2015C Term Bonds of a maturity, the principal amount of such maturity of Term Bonds being redeemed or purchased and cancelled shall be allocated against the scheduled sinking fund redemption amounts set forth above for the Term Bonds of such maturity in such manner as DASNY may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such maturity of Series 2015C Bonds. In such event, DASNY shall provide to the Trustee a revised schedule of sinking fund installments. If fewer than all of any Series 2015C Bonds of the same maturity are to be redeemed, the particular Series 2015C Bonds of such maturity to be redeemed will be determined as set forth below under “—Selection of Bonds to be Redeemed; Notice of Redemption.”

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2015B Bonds or Series 2015C Bonds at the option of DASNY, DASNY will select the maturities of the Series 2015B Bonds or Series 2015C Bonds to be redeemed.

If less than all of the Series 2015B Bonds or Series 2015C Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2015B Bond or Series 2015C Bond of such maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2015B Bonds or Series 2015C Bonds, equal to the lowest denomination in which such Series 2015B Bonds or Series 2015C Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2015B Bonds or Series

2015C Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2015B Bonds or Series 2015C Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2015B Bonds or Series 2015C Bonds to be redeemed.

In the case of optional redemption of the Series 2015D Bonds, if less than all of the Series 2015D Bonds are to be redeemed, the particular Series 2015D Bonds or portions thereof to be redeemed are to be selected on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC operational procedures then in effect. Such procedures currently provide for adjustment of the principal by a factor provided by the Trustee. If the Trustee does not provide the necessary information or does not identify the redemption as on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2015D Bonds will be selected for redemption in accordance with DTC procedures by lot. It is expected that redemption allocations to be made by DTC, the DTC Participants or such other intermediaries that may exist between DASNY and the owners of the Series 2015D Bonds would be made on a “Pro Rata Pass-Through Distribution of Principal” basis as described above. However, no assurance can be provided that DTC, the DTC Participants or any other intermediaries will allocate redemptions among the owners on such basis. If operational procedures of DTC (or of any successor depository) do not allow for the redemption of the Series 2015D Bonds on a “Pro Rata Pass-Through Distribution of Principal” basis, the Series 2015D Bonds will be selected for redemption by lot.

Any notice of redemption of the Series 2015 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2015 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from DASNY that Series 2015 Bonds are to be redeemed, the Trustee shall give notice, in the name of DASNY, of the redemption of such Series 2015 Bonds, which notice shall specify the Series 2015 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2015 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2015 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2015 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2015 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2015 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no more than forty-five (45) days and no less than thirty (30) days before the redemption date, to the Owners of any Series 2015 Bonds or portions of Series 2015 Bonds, which are to be redeemed, at their last address, if any, appearing upon the registry books.

For a more complete description of the redemption and other provisions relating to the Series 2015 Bonds, see “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”

PART 6—THE PROJECTS

The Series 2015 Bonds are being issued for the purposes of financing Authorized Purposes.

It is expected that proceeds of the Series 2015 Bonds will be used to (a) finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for educational and mental health facilities (including voluntary agency facilities), environmental facilities projects and grants for educational and economic development programs, and (b) refund certain outstanding State Personal Income Tax Revenue Bonds issued by DASNY. See “PART 7—THE REFUNDING PLAN” below.

Additionally, all or a portion of the cost of issuance of the Series 2015 Bonds will be financed with the proceeds thereof. **The Series 2015 Bonds are not secured by the Projects or any interest therein.**

PART 7—THE REFUNDING PLAN

A portion of the proceeds of the Series 2015D Bonds, together with other available funds, will be used to advance refund a portion of DASNY’s outstanding State Personal Income Tax Revenue Bonds (Education), Series 2006D (the “Refunded Bonds”), as more particularly described in “APPENDIX F—SUMMARY OF REFUNDED BONDS” hereto.

Simultaneously with the issuance and delivery of the Series 2015 Bonds, a portion of the proceeds of the Series 2015D Bonds will be deposited in an escrow with the trustee for the Refunded Bonds and, together with other available funds, will be used to purchase securities (the “Defeasance Securities”), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the principal or redemption price of and interest due on the Refunded Bonds to their maturity or redemption date of September 15, 2016 (the “Redemption Date”). See “PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS.” At the time of such deposit, DASNY will give the trustee for the Refunded Bonds irrevocable instructions to give notices of the defeasance and 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 principal or redemption price of and interest coming due on the Refunded Bonds to the earlier of their maturity or the Redemption Date.

PART 8—BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2015 Bonds. References to the Series 2015 Bonds under this caption “Book-Entry Only System” shall mean all Series 2015 Bonds, the beneficial interests in which are owned in the United States. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond certificate will be issued for the Series 2015 Bonds of each maturity of each series of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 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 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 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 2015 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 2015 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds of like series and maturity are being redeemed, DTC’s practice is to determine by lot the amount of interest of each Direct Participant in the Series 2015 Bonds of such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 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 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or DASNY, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2015 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2015 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2015 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 2015 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 2015 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2015 Bonds at any time by giving reasonable notice to DASNY or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered.

DASNY may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2015 Bonds. In that event, Series 2015 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2015 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption

or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2015 BONDS.

So long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2015 Bonds (other than under the caption "PART 13 – TAX MATTERS" and "PART 20 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2015 Bonds.

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

For every transfer and exchange of Series 2015 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2015 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2015 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2015 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2015 BONDS; OR (6) ANY OTHER MATTER.

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PART 9—DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2015 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

12-Month Period Ending March 31	Series 2015 Bonds			Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Aggregate Debt Service ⁽¹⁾⁽²⁾
	Principal Payments	Interest Payments	Total Debt Service		
2016		\$ 36,476,000	\$ 36,476,000	\$2,798,511,483	\$ 2,834,987,483
2017	\$ 32,395,000	55,641,356	88,036,356	2,799,147,688	2,887,184,044
2018	33,595,000	54,435,831	88,030,831	2,781,642,102	2,869,672,933
2019	34,910,000	53,127,954	88,037,954	2,787,282,370	2,875,320,324
2020	36,330,000	51,718,261	88,048,261	2,804,945,353	2,892,993,614
2021	37,840,000	50,194,778	88,034,778	2,740,307,761	2,828,342,539
2022	39,225,000	48,581,054	87,806,054	2,599,733,948	2,687,540,002
2023	40,940,000	46,866,659	87,806,659	2,519,955,033	2,607,761,691
2024	42,760,000	45,036,977	87,796,977	2,365,791,199	2,453,588,176
2025	44,720,000	43,105,546	87,825,546	2,235,991,002	2,323,816,548
2026	32,260,000	41,070,894	73,330,894	2,226,519,792	2,299,850,685
2027	33,865,000	39,474,894	73,339,894	2,074,828,957	2,148,168,850
2028	35,550,000	37,799,144	73,349,144	2,086,926,193	2,160,275,337
2029	37,290,000	36,039,744	73,329,744	1,797,410,046	1,870,739,789
2030	39,150,000	34,192,588	73,342,588	1,607,824,662	1,681,167,250
2031	40,395,000	32,251,888	72,646,888	1,510,652,618	1,583,299,505
2032	42,390,000	30,249,463	72,639,463	1,384,570,174	1,457,209,636
2033	44,495,000	28,147,813	72,642,813	1,211,005,193	1,283,648,006
2034	46,700,000	25,940,125	72,640,125	1,027,556,476	1,100,196,601
2035	49,020,000	23,622,838	72,642,838	941,300,689	1,013,943,527
2036	34,010,000	21,188,713	55,198,713	846,628,389	901,827,102
2037	35,700,000	19,505,613	55,205,613	737,836,871	793,042,484
2038	37,465,000	17,738,763	55,203,763	652,713,462	707,917,225
2039	39,330,000	15,881,138	55,211,138	565,224,871	620,436,008
2040	41,265,000	13,930,888	55,195,888	432,554,589	487,750,477
2041	43,315,000	11,884,450	55,199,450	328,897,238	384,096,688
2042	45,475,000	9,732,650	55,207,650	240,127,331	295,334,981
2043	47,720,000	7,473,450	55,193,450	135,822,950	191,016,400
2044	50,105,000	5,102,500	55,207,500	64,391,250	119,598,750
2045	52,585,000	2,612,950	55,197,950		55,197,950
Total⁽⁴⁾	<u>\$1,170,800,000</u>	<u>\$939,024,915</u>	<u>\$2,109,824,915</u>	<u>\$46,306,099,690</u>	<u>\$48,415,924,605</u>

- (1) Interest on \$303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on \$74,615,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.
- (2) The information set forth under the column captioned "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.
- (3) Excludes debt service on outstanding State Personal Income Tax Revenue Bonds issued by DASNY that are being refunded with a portion of the proceeds of the Series 2015D Bonds.
- (4) Totals may not add due to rounding.

PART 10—ESTIMATED SOURCES AND USES OF FUNDS

Series 2015B Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2015B Bonds:

Sources of Funds	
Principal amount of Series 2015B Bonds.....	\$1,043,650,000.00
Original Issue Premium.....	<u>141,335,670.80</u>
Total Sources	<u>\$1,184,985,670.80</u>
Uses of Funds	
Deposit to Bond Proceeds Fund	\$1,174,361,325.69
Costs of Issuance*	9,319,335.79
Underwriters' Discount	<u>1,305,009.32</u>
Total Uses	<u>\$1,184,985,670.80</u>

Series 2015C Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2015C Bonds:

Sources of Funds	
Principal amount of Series 2015C Bonds.....	\$29,770,000.00
Net Original Issue Premium	<u>559,806.65</u>
Total Sources	<u>\$30,329,806.65</u>
Uses of Funds	
Deposit to Bond Proceeds Fund	\$29,477,029.00
Costs of Issuance*	539,299.55
Underwriters' Discount	<u>313,478.10</u>
Total Uses	<u>\$30,329,806.65</u>

Series 2015D Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2015D Bonds:

Sources of Funds	
Principal amount of Series 2015D Bonds.....	<u>\$97,380,000.00</u>
Total Sources	<u>\$97,380,000.00</u>
Uses of Funds	
Deposit to Bond Proceeds Fund	\$75,504,912.00
Deposit to Escrow	20,700,738.25
Costs of Issuance*	887,059.28
Underwriters' Discount	<u>287,290.47</u>
Total Uses	<u>\$97,380,000.00</u>

* Includes New York State Bond Issuance Charge.

PART 11—DASNY

Background, Purposes and Powers

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

DASNY provides financing services to its clients in three major areas: public facilities; not-for-profit healthcare; and independent higher education and other not-for-profit institutions. DASNY issues State-supported debt, including State Personal Income Tax Revenue Bonds and State Sales Tax Revenue Bonds, on behalf of public clients such as The State University of New York, The City University of New York, the Departments of Health and Education of the State, the Office of Mental Health, the Office of People with Developmental Disabilities, the Office of Alcoholism and Substance Abuse Services, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2015, DASNY had approximately \$45.7 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 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 48 field sites across the State.

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. One of the appointments to the Board by the Governor is currently vacant.

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

The current members of DASNY are as follows:

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

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

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

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

SANDRA M. SHAPARD, *Secretary*, Delmar.

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

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. 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 expires on August 31, 2016.

GERARD ROMSKI, Esq., Mount Kisco.

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

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

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

of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

ELIZABETH BERLIN, *Acting Commissioner of Education of the State of New York, Bethlehem; ex-officio.*

Elizabeth Berlin was appointed by the Board of Regents to serve as Acting Commissioner of Education on January 3, 2015. As Acting Commissioner of Education, Ms. Berlin serves as Executive Deputy Commissioner of the State Education Department, part 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. Formerly, Ms. Berlin served as the Executive Deputy Commissioner of the New York State Office of Temporary and Disability Assistance. Prior thereto she served as Commissioner of the Albany County Department of Social Services. Ms. Berlin holds a Bachelor of Arts degree from Siena College.

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 J.D. from Fordham University School of Law and a LL.M. from Columbia Law School.

MARY BETH LABATE, *Budget Director of the State of New York, Albany; ex-officio.*

Mary Beth Labate was appointed Budget Director on January 16, 2015. She 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. Ms. Labate previously served as First Deputy Budget Director where she was responsible for managing the day to day operations of the Division of the Budget and playing a lead role in negotiating, establishing and executing the State Budget. Prior thereto, she held leadership positions at the Division of the Budget, the New York State Office of Parks, Recreation and Historic Preservation, and the New York State Division of Housing and Community Renewal. Ms. Labate holds a Bachelor of Arts degree from the University of Notre Dame and a Masters degree in Public Administration from the Rockefeller School of Public Affairs.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the Acting President and acting 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's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing DASNY bond issuance in the capital markets, implementing and overseeing financing programs, overseeing DASNY's compliance with continuing disclosure requirements and monitoring the financial condition of existing DASNY clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. She holds a Bachelor's degree from the State University of New York at Albany.

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

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

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

CAPRICE SPANN is the Managing Director of the Office of Executive Initiatives. Ms. Spann is responsible for strategic efforts in program development, including the utilization of Minority and Women-Owned Businesses and Service-Disabled Veteran-Owned (“SDVO”) Business Enterprises, sustainability, training and marketing, as well as communications with DASNY’s clients, vendors, the public and governmental officials. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

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, 2014. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 12—AGREEMENT OF THE STATE

The Authority Act provides that the State pledges and agrees with the holders of DASNY’s notes and bonds that the State will not limit or alter the rights vested in DASNY to, among other things, fulfill the terms of any agreements made with the holders of DASNY’s notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest

thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 13—TAX MATTERS

Series 2015B Bonds

General

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to DASNY (collectively, “Co-Bond Counsel”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015B 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 2015B Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the New York State Department of Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation (“OPRHP”), the New York State Education Department (“SED”), the New York State Department of Health (“DOH”), the New York State Olympic Regional Development Authority (“ORDA”), the New York State Office of Mental Health (“OMH”), the New York State Office for People with Developmental Disabilities (“OPWDD”), each voluntary agency receiving a loan from DASNY being financed with proceeds of the Series 2015B Bonds (collectively, the “2015B Voluntary Agencies”) and others, and Co-Bond Counsel have assumed compliance by, as applicable, DASNY, SUNY, SUCF, DEC, OPRHP, SED, DOH, ORDA, OMH, OPWDD and the 2015B Voluntary Agencies with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2015B Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Series 2015B 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 2015B Bonds. Co-Bond Counsel render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2015B Bonds, or the exemption from personal income taxes of interest on the Series 2015B Bonds 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 2015B Bonds in order that interest on the Series 2015B 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 2015B 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 2015B Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. DASNY, SUNY, SUCF, DEC, OPRHP, SED, DOH, ORDA, OMH, OPWDD and the 2015B Voluntary Agencies, as applicable, have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2015B 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 2015B Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2015B 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 2015B Bonds.

Prospective owners of the Series 2015B 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 2015B 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 2015B 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 2015B 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 the Series 2015B Bonds is expected to be the initial public offering price set forth on the inside cover pages of the Official Statement. Co-Bond Counsel are of the opinion that, for any Series 2015B 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 other interest on the Series 2015B 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 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 OID 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 2015B 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 2015B Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including OID) on tax-exempt obligations, including the Series 2015B 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 2015B 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 2015B 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 2015B Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2015B 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 2015B Bonds. For example, the Fiscal Year 2016 Budget proposed by the Obama Administration recommends a 28% limitation on “all itemized deductions, as well as other tax benefits” including “tax-exempt interest.” The net effect of such 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 2015B Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2015B Bonds are set forth in Appendix D hereto.

Series 2015C Bonds

General

In the opinions of Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2015C 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2015C Bond for any period during which the Series 2015C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the Series 2015C Bonds or a “related person,” and (ii) interest on the Series 2015C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, OMH, each voluntary agency receiving a loan from DASNY being financed with proceeds of the Series 2015C Bonds (collectively, the “2015C Voluntary Agencies”) and others, and Co-Bond Counsel have assumed compliance by, as applicable, DASNY, OMH and the 2015C Voluntary Agencies with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2015C Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Series 2015C 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 2015C Bonds. Co-Bond Counsel render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken

or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2015C Bonds, or the exemption from personal income taxes of interest on the Series 2015C Bonds 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 2015C Bonds in order that interest on the Series 2015C 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 2015C 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 2015C 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, OMH and the 2015C Voluntary Agencies, as applicable, have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2015C Bonds from gross income under Section 103 of the Code.

Under applicable provisions of the Code, the exclusion from gross income of interest on the Series 2015C Bonds for purposes of Federal income taxation requires that either (i) at least 20% of the units in each voluntary agency facility financed by the Series 2015C Bonds be occupied during the “Qualified Project Period” (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 50% of the median income for the area, as adjusted for family size, or (ii) at least 40% of the units in each voluntary agency facility (25% for the units located in New York City) financed by the Series 2015C Bonds be occupied during the “Qualified Project Period” by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% of the median income for the area, as adjusted for family size, and (iii) all of the units of each such voluntary agency facility be rented or available for rental on a continuous basis during the Qualified Project Period. “Qualified Project Period” for each such voluntary agency facility means a period commencing upon the later of (a) occupancy of 10% of the units in each such voluntary agency facility or (b) the date of issue of the Series 2015C Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in each such voluntary agency facility, (ii) the first date on which no tax-exempt private activity bonds issued with respect to each such voluntary agency facility are outstanding or (iii) the date on which any assistance provided with respect to such voluntary agency facility under Section 8 of the 1937 Housing Act terminates. Each such voluntary agency facility will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the voluntary agency facility must be rented to an individual having an income that does not exceed the applicable income limitation.

In the event of noncompliance with the requirements described in the preceding paragraph arising from events occurring after the issuance of the Series 2015C Bonds, Treasury Regulations provide that the exclusion of interest from gross income for Federal income tax purposes will not be impaired if DASNY takes appropriate corrective action within a reasonable period of time after such noncompliance is first discovered or should have been discovered by DASNY.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2015C Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2015C 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 2015C Bonds. Prospective owners of the Series 2015C 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 2015C 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 2015C 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 2015C 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 the Series 2015C Bonds is expected to be the initial public offering price set forth on the inside cover pages of this Official Statement. Co-Bond Counsel are of the opinion that, for any Series 2015C 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 other interest on the Series 2015C 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 2015C 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 OID 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 2015C 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 2015C Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including OID) paid on tax-exempt obligations, including the Series 2015C 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 2015C 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 2015C 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 2015C Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2015C 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 2015C Bonds. For example, the Fiscal Year 2016 Budget proposed by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such 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 2015C Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2015C Bonds are set forth in Appendix D hereto.

Series 2015D Bonds

General

In the opinions of Co-Bond Counsel, interest on the Series 2015D Bonds (the “Taxable Bonds”) (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

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

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

U.S. Holders—Interest Income

Interest and OID (as defined below) on the Taxable Bonds are included in gross income for United States Federal income tax purposes.

Original Issue Discount

For United States Federal income tax purposes, a Taxable Bond will be treated as issued with original issue discount (“OID”) if the excess of a Taxable Bond’s “stated redemption price at maturity” over its “issue price” equals or exceeds a statutorily determined de minimis amount. The “issue price” of each Taxable Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Taxable Bond’s stated redemption price at maturity over its issue price is less than .25 percent of the Taxable Bond’s stated redemption price at maturity multiplied

by the number of complete years to its maturity (the “de minimis amount”), then such excess, if any, constitutes de minimis OID, and the Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

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

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

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

Bond Premium

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

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

U.S. Holders—Disposition of Taxable Bonds

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

U.S. Holders—Defeasance

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

U.S. Holders—Backup Withholding and Information Reporting

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

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

Miscellaneous

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

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

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2015D Bonds are set forth in Appendix D hereto.

PART 14—LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of DASNY, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2015 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2015 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Authorizing Legislation, the Series 2015 Bonds, the General Resolution or the Financing Agreement. See “APPENDIX A” under the heading “Litigation” for a description of certain litigation relating to the State generally.

PART 15—CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2015 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to DASNY, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2015 Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

PART 16—SALE BY COMPETITIVE BIDDING

The Series 2015B Bonds were awarded pursuant to three separate competitive bidding processes on June 11, 2015. The Series 2015B Group A Bonds, comprised of Series 2015B Bonds maturing in the years 2017 through 2025, inclusive, were sold to J.P. Morgan Securities LLC. The Series 2015B Group B Bonds, comprised of Series 2015B Bonds maturing in the years 2026 through 2035, inclusive, were sold to RBC Capital Markets, LLC. The Series 2015B Group C Bonds, comprised of Series 2015B Bonds maturing in the years 2036 through 2045, inclusive, were sold to Morgan Stanley & Co. LLC. The Series 2015B Bonds will be purchased by the respective purchasers at an aggregate price of \$1,183,680,661.48, which reflects original issue premium of \$141,335,670.80 and underwriters' discount of \$1,305,009.32.

The Series 2015C Bonds also were awarded, pursuant to a competitive bidding process, on June 11, 2015, to Citigroup Global Markets Inc. The Series 2015C Bonds will be purchased at a price of \$30,016,328.55, which reflects net original issue premium of \$559,806.65 and an underwriter's discount of \$313,478.10.

The Series 2015D Bonds also were awarded, pursuant to a competitive bidding process, on June 11, 2015, to J.P. Morgan Securities LLC. The Series 2015D Bonds will be purchased at a price of \$97,092,709.53, which reflects an underwriter's discount of \$287,290.47.

The respective purchasers have supplied the information as to the initial public offering prices of the Series 2015 Bonds as set forth on the inside cover of this Official Statement. The Series 2015 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the purchasers.

PART 17—LEGALITY OF INVESTMENT

Under New York State law, the Series 2015 Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2015 Bonds.

PART 18— VERIFICATION OF MATHEMATICAL COMPUTATIONS

When the Series 2015 Bonds are issued, Samuel Klein and Company, Certified Public Accountants (the "Verification Agent"), will deliver to DASNY a report indicating that it has verified the arithmetic accuracy of (a) the mathematical computations of the adequacy of the cash and the

maturing principal amounts of, and the interest on, the Defeasance Securities to pay the interest and the principal or redemption price coming due on the Refunded Bonds and (b) certain calculations relating to the Refunded Bonds. See “PART 7—THE REFUNDING PLAN.”

PART 19—RATINGS

The Series 2015 Bonds are rated “Aa1” by Moody’s and “AAA” by Standard & Poor’s. Each rating reflects only the view of the rating agency issuing such rating and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such credit ratings will continue for any given period of time or that either or both will not be revised downward or withdrawn entirely by either or both of such rating agencies, if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2015 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 20—CONTINUING DISCLOSURE

In order to assist the initial purchasers of the Series 2015 Bonds to comply with Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement, dated as of May 1, 2002, and amended and restated as of July 1, 2009 and December 1, 2010 (the “Master Disclosure Agreement”) for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2015 Bonds. The parties to the Master Disclosure Agreement have agreed to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Revenue Bond Tax Fund Receipts (collectively, the “Annual Information”) in accordance with the requirements of Rule 15c2-12 and as described in the Master Continuing Disclosure Agreement. The Division of the Budget will electronically file with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) System on or before 120 days after the end of each State fiscal year, commencing, for the Series 2015 Bonds, with the fiscal year ending March 31, 2015. An executed copy of the Master Disclosure Agreement is attached hereto as APPENDIX E.

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

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2015 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by

mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The parties to the Master Disclosure Agreement, however, are not obligated to enforce the obligations of the others. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the obligations of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2015 Bonds, may recover monetary damages thereunder under any circumstances. Any holder or beneficial owner of State Personal Income Tax Revenue Bonds, including the holders of Series 2015 Bonds, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders or beneficial owners similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in any material respect, with the Master Disclosure Agreement or any other previous undertakings or agreements pursuant to Rule 15c2-12 in relation to State Personal Income Tax Revenue Bonds. Pursuant to the terms of the Master Disclosure Agreement, DASNY, as conduit issuer of State Personal Income Tax Revenue Bonds, has agreed in such agreement to provide notices of certain events as described in such agreement and has complied with such contractual undertaking in all material respects.

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

PART 21—MISCELLANEOUS

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

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

The Director of the Budget is to certify that the statements and information appearing (a) under the headings (i) “PART 1 — SUMMARY STATEMENT” (except under the subcaption “Purpose of Issue” and except for the fourth, eighth (last sentence only) and ninth paragraphs under the subcaption “Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts”, as to which no representation is made), (ii) “PART 2 — INTRODUCTION” (the second, third, fourth, sixth, seventh, eighth, tenth and twelfth (other than the last sentence thereof) paragraphs only), (iii) “PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL

INCOME TAX REVENUE BONDS,” (iv) “PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND,” (v) “PART 9 — DEBT SERVICE REQUIREMENTS” as to the column “Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service,” and (vi) “PART 20 — CONTINUING DISCLOSURE” (the first sentence of the fourth paragraph only), and (b) in the “Annual Information Statement of the State of New York”, including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption “Litigation”, such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2015 Bonds.

Public Resources Advisory Group has acted as financial advisor to the Division of the Budget in connection with the sale and issuance of the Series 2015 Bonds.

The references herein to the Authority Act, the Enabling Act and other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of DASNY with the registered Owners of the Series 2015 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2015 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2015 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of DASNY located at 515 Broadway, Albany, New York 12207.

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

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

By: /s/ Gerrard P. Bushell
Authorized Officer

APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 1, 2015. 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, 2014 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, 2014 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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New York State Annual Information Statement

June 1, 2015

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Introduction

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This Annual Information Statement (AIS) is dated June 1, 2015 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 11, 2014 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 2016¹ (FY 2016), issued by the Division of the Budget (DOB) in May 2015. The Enacted Budget sets forth the State’s official Financial Plan projections for FY 2016 through FY 2019. It includes, among other things, information on the major components of the FY 2016 General Fund gap-closing plan, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State’s operating funds. Note that the Financial Plan does not reflect the May 2015 consent order between DFS and Barclays Bank PLC, and Barclays Bank PLC, New York Branch (collectively, “Barclays”). In May 2015, Barclays paid a \$485 million civil monetary penalty to the State pursuant to that consent order.
2. A discussion of risks and uncertainties that may affect the Financial Plan during the State’s current fiscal year or in future years (under the heading “Financial Plan Overview — Other Matters Affecting the Financial Plan”).
3. Information on other subjects relevant to the State’s finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State’s revised economic forecast and a profile of the State economy, (c) the State’s debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.
4. The status of significant litigation and arbitration that has the potential to adversely affect the State’s finances.

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

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2016 is the FY that began on April 1, 2015 and ends on March 31, 2016.

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

The factors affecting the State's financial condition are complex. This AIS contains forecasts, projections, and estimates that are based on expectations and assumptions, which existed at the time they were prepared, and contains statements relating to future results and economic performance that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Since many factors may materially affect fiscal and economic conditions in the State, the inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words "expects", "forecasts", "projects", "intends", "anticipates", "estimates", 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 2015 financial results contained within this AIS are unaudited and preliminary. The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2015. 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, 2015. These reports will contain the final FY 2015 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 2014 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

In addition to regularly scheduled quarterly updates to this AIS, the State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuances. The State has filed this AIS with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-2302.

Usage Notice

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

This AIS is available in electronic form on the DOB website at www.budget.ny.gov. Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this information. Maintenance of this AIS on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS Update.

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

Overview of the State Budget Process and Budgetary and Accounting Practices

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The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The annual budget process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1 (the submission date is February 1 in years following a gubernatorial election). The DOB prepares a multi-year Financial Plan ("State Financial Plan") as part of the Executive Budget. The State Financial Plan sets forth projected receipts and disbursements for the current fiscal year, the "budget" year (i.e., the upcoming fiscal year), and the three subsequent fiscal years ("outyears"). It must be accompanied by bills that: (a) set forth all proposed appropriations and reappropriations, (b) provide for any new or modified revenue measures, and (c) make any other changes to existing law necessary to implement the budget recommended by the Governor. The General Fund must be balanced on a cash basis, as described below.

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

Once the appropriation bills and other budget bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the enacted budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, new actions taken by the Governor or the Legislature, and other factors. As required by the State Finance Law, DOB updates the State Financial Plan generally issuing reports by July 30, October 30, and as part of the Executive Budget in January or February of each year.

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

Significant Budgetary/Accounting Practices

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

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

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

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

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

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

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

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

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

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Financial Plan Overview

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The following table provides certain Financial Plan information for FY 2015 and FY 2016.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	FY 2015		FY 2016	
	Revised ¹	Results	Executive Amended ²	Enacted
State Operating Funds Disbursements				
Size of Budget	\$92,376	\$92,426	\$93,988	\$94,250
Annual Growth	1.9%	2.0%	1.7%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	\$54,835	\$54,255	\$57,361	\$57,814
	5.2%	4.0%	5.7%	6.6%
General Fund (Including Transfers) ³	\$63,181	\$62,856	\$70,629	\$72,090
	3.2%	2.6%	12.4%	14.7%
State Funds (Including Capital)	\$98,667	\$98,148	\$102,554	\$103,127
	2.4%	1.9%	4.5%	5.1%
Capital Budget (Federal and State)*	\$7,995	\$7,548	\$9,374	\$9,212
	3.1%	-2.6%	24.2%	22.0%
Federal Operating Aid (Excluding Extraordinary Aid) *	\$37,342	\$38,669	\$38,271	\$39,385
	-0.4%	3.1%	-1.0%	1.9%
All Funds (Excluding Extraordinary Aid) *	\$137,713	\$138,643	\$141,633	\$142,847
	1.4%	2.0%	2.2%	3.0%
Capital Budget (Including "Off-Budget") *	\$8,906	\$8,287	\$10,387	\$10,101
	-2.2%	-9.0%	25.3%	21.9%
All Funds (Including "Off-Budget" Capital) *	\$138,624	\$139,382	\$142,646	\$143,736
	1.0%	1.6%	2.3%	3.1%
Inflation (CPI)	1.4%	1.2%	0.9%	0.5%
All Funds Receipts				
Taxes	\$70,512	\$71,034	\$74,450	\$74,562
	1.2%	1.9%	4.8%	5.0%
Miscellaneous Receipts	\$30,426	\$29,438	\$25,075	\$25,410
	25.6%	21.5%	-14.8%	-13.7%
Federal Grants *	\$41,746	\$43,388	\$41,940	\$43,194
	-0.9%	3.0%	-3.3%	-0.4%
Total Receipts *	\$142,684	\$143,860	\$141,465	\$143,166
	4.9%	5.7%	-1.7%	-0.5%
General Fund Reserves	\$7,768	\$7,300	\$3,229	\$3,495
Stabilization/Rainy Day Reserve Funds	\$1,796	\$1,798	\$1,796	\$1,798
All Other Reserves/Fund Balances ⁴	\$5,972	\$5,502	\$1,433	\$1,697
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,379	117,807	119,235	119,349
Debt⁵				
Debt Service as % All Funds Receipts	4.3%	4.5%	4.1%	3.7%
State-Related Debt Outstanding	\$54,896	\$54,192	\$56,915	\$55,319
Debt Outstanding as % Personal Income	4.9%	4.9%	4.9%	4.8%

¹ Updated in February 2015 as part of the FY 2016 Executive Budget, as amended.

² The annual percentage change calculations in the FY 2016 "Executive Amended" column have been updated for FY 2015 year-end results.

³ Reflects the extraordinary transfer of one-time monetary settlement receipts from the General Fund to (a) the new Dedicated Infrastructure Investment Fund (\$4.55 billion) and (b) the mental hygiene account to fund a portion of a Federal disallowance for OPWDD (\$850 million).

⁴ Change in reserves in FY 2016 reflects the one-time extraordinary transfers described in the prior note.

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

* All Funds, Federal Operating Funds and Capital Projects Funds receipts and disbursements exclude (a) Federal disaster aid for Superstorm Sandy, (b) additional Federal aid associated with Federal health care reform, and (c) capital spending from the one-time monetary settlements with financial institutions. Including disbursements for these purposes, All Funds disbursements are expected to total \$152.2 billion in FY 2016, an increase of 5.7 percent.

General Fund Cash Basis Financial Plan**Summary of Preliminary Unaudited Results for FY 2015 (Ended March 31, 2015)**

In FY 2015, the State received a windfall from monetary settlements with financial institutions. The one-time payments had a dramatic effect on the State's cash position. When the budget for FY 2015 was enacted, DOB estimated the State would end the fiscal year with a General Fund cash balance of approximately \$2.1 billion. Largely as a result of the monetary settlement payments, the General Fund ended the year with a balance of \$7.3 billion, approximately \$5.2 billion above the initial estimate. The sources and uses of actual and expected monetary settlement payments are described more fully later in this AIS. Unless otherwise noted, the discussion of operating results for FY 2015 excludes the impact of the monetary settlement payments.

The following table summarizes the variance between the Executive Budget Financial Plan (dated February 2015) and actual results, with and without the impact of monetary settlements.

FY 2015 GENERAL FUND OPERATING RESULTS SUMMARY OF CHANGES FROM EXECUTIVE BUDGET (millions of dollars)	
Receipts Changes	(60)
Tax Receipts (After Debt Service)	210
Miscellaneous Receipts/Other Non-Tax Revenue	(270)
Spending Changes	(325)
Local Assistance	(394)
Agency Operations (incl. GSCs)	(186)
Transfers to Other Funds	255
OPERATING RESULTS (Excluding Monetary Settlements)	265
Timing of Monetary Settlements	(733)
BNP Paribas (Received in FY 2016)	(1,343)
Commerzbank (New)	610
NET CHANGE IN FUND BALANCE	(468)

General Fund tax receipts, including the transfer of tax receipts to the General Fund after payment of debt service, totaled \$58.6 billion, \$210 million higher than projected in the Executive Budget. This was due to stronger gross bank tax and corporate franchise tax receipts, and lower PIT-related debt service transfers. Miscellaneous receipts and non-tax transfers, excluding the amounts related to monetary settlements, totaled \$4.6 billion, or \$270 million lower than expected. Licenses, fee revenues, and transfers from other funds fell below planned levels.

General Fund disbursements, including transfers to other funds, totaled \$62.9 billion, a decrease of \$325 million from the Executive Budget estimate. Spending was lower than planned across a range of programs and activities for local assistance (\$394 million), agency operations (\$186 million), and transfers to support mental hygiene costs and various other programs (\$127 million).

This lower spending was partly offset by higher transfers for capital projects (\$376 million), due to the timing of bond reimbursements for first-instance capital spending from the General Fund.

As shown in the table above, General Fund operating results, excluding the impact of monetary settlement payments, were \$265 million better than expected, compared to the Executive Budget estimate. The entire amount is expected to be used in FY 2016 to cover costs across a range of agencies and programs that were originally budgeted in FY 2015 but are now expected to occur in FY 2016, and to provide funding for new costs associated with the FY 2016 Enacted Budget agreement.

The State deposited approximately \$315 million to the State's rainy day reserves at the close of FY 2015, the maximum amount allowable under the deposit calculations set forth in law, bringing the balance in the rainy day reserves to \$1.8 billion, or 2.9 percent of FY 2015 General Fund spending.

Monetary settlement receipts in FY 2015 were \$733 million lower than expected due to the delayed receipt of \$1.3 billion in settlement payments from BNP Paribas, partly offset by the receipt of \$610 million from Commerzbank related to violations of New York State banking law and regulations.

The State ended FY 2015 with a General Fund balance of \$7.3 billion, which was \$468 million below the estimate in the Executive Budget Financial Plan. This was derived primarily from the net change in monetary settlement payments (\$733 million), partly offset by available resources due to operating variances (\$265 million).

The \$7.3 billion year-end balance includes \$4.7 billion from monetary settlement payments that the State plans to use to fund one-time initiatives; \$1.8 billion in the State's rainy day funds; \$500 million set aside for future debt management actions, including debt reduction; \$74 million in the Community Projects Fund; \$21 million in the Contingency Reserve Fund; \$50 million set aside to cover the costs of potential retroactive labor settlements; and \$190 million in excess resources that will be used in FY 2016 for operations, including certain transactions that did not occur in FY 2015 as expected.

FY 2016 Financial Plan

DOB estimates that the FY 2016 Enacted Budget provides for balanced operations in the General Fund, as required by law. The following table summarizes the projected annual changes from FY 2015 to FY 2016 in General Fund receipts, disbursements, and fund balances.

GENERAL FUND FINANCIAL PLAN				
(millions of dollars)				
	FY 2015 Results	FY 2016 Enacted	Annual Change	
			Dollar	Percent
Opening Fund Balance	2,235	7,300	5,065	226.6%
Taxes (After Debt Service)	58,644	62,622	3,978	6.8%
Miscellaneous Receipts/Federal Grants	8,412	4,365	(4,047)	-48.1%
Other Transfers	865	1,298	433	50.1%
Total Receipts	67,921	68,285	364	0.5%
Local Assistance Grants	41,592	44,356	2,764	6.6%
Departmental Operations:	7,664	8,263	599	7.8%
Personal Service	5,806	6,079	273	4.7%
Non-Personal Service	1,858	2,184	326	17.5%
General State Charges	4,999	5,195	196	3.9%
Transfers to Other Funds ¹	8,601	14,276	5,675	66.0%
Total Disbursements	62,856	72,090	9,234	14.7%
Excess (Deficiency) of Receipts Over Disbursements	5,065	(3,805)	(8,870)	-175.1%
Closing Fund Balance	7,300	3,495	(3,805)	-52.1%
Statutory Reserves:				
"Rainy Day" Reserve Funds	1,798	1,798	0	
Community Projects Fund	74	74	0	
Contingency Reserve Fund	21	21	0	
Fund Balance Reserved for:				
Debt Management	500	500	0	
Prior-Term Labor Agreements	50	60	10	
Undesignated Reserve	190	0	(190)	
Monetary Settlements¹	4,667	1,042	(3,625)	

¹ Includes one-time extraordinary transfer of \$4.55 billion in monetary settlements from the General Fund to the Dedicated Infrastructure Investment Fund, and the transfer of \$850 million to finance the FY 2016 cost of a multi-year settlement agreement for prior-year OPWDD-related Federal Medicaid disallowances.

Receipts

General Fund receipts, including transfers from other funds, are expected to total \$68.3 billion in FY 2016, an annual increase of \$364 million (0.5 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total \$62.6 billion in FY 2016, an increase of nearly \$4 billion (6.8 percent).

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by \$4 billion from FY 2015. This primarily reflects increases in withholding payments attributable to the 2015 tax year and extension payments attributable to the 2014 tax year.

General Fund user 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 2016, an increase of \$360 million (2.9 percent) from FY 2015, reflecting projected consumer spending increases across a broad range of consumption categories, offset by declines in cigarette consumption.

General Fund business tax receipts are estimated at \$5.9 billion in FY 2016, a decrease of \$368 million (-5.9 percent) from FY 2015 results. The estimate reflects a decline in corporate franchise tax receipts resulting from the first year of corporate tax reform, partly offset by growth in the corporation and utilities, and insurance taxes.

Other tax receipts in the General Fund are expected to total nearly \$2 billion in FY 2016, a decrease of \$9 million (-0.5 percent) from FY 2015. The estimate reflects a decline in expected estate tax receipts, the result of 2014 legislation that increased the estate tax filing threshold, partially offset by an increase in real estate transfer tax receipts.

General Fund miscellaneous receipts are estimated at nearly \$4.4 billion in FY 2016, an annual decrease of over \$4 billion. The decrease largely reflects the large amount of monetary settlements received in FY 2015, and the multi-year release of State Insurance Fund (SIF) reserves as a result of Workers' Compensation law changes. The amount of SIF reserves released is expected to decline from \$1 billion in FY 2015 to \$250 million in FY 2016, consistent with the terms of the enacted legislation.

Non-tax transfers to the General Fund are expected to total \$1.3 billion, an increase of \$433 million. As with miscellaneous receipts, the annual change in non-tax transfers is affected, in part, by the monetary settlements. Under State forfeiture laws, approximately \$298 million of the BNP Paribas monetary settlement is expected to be deposited temporarily in a State Special Revenue Fund in FY 2016. DOB expects to transfer approximately \$293 million of these funds to the General Fund by the close of FY 2016, leaving \$5 million to expand services delivered by the Office of Alcoholism and Substance Abuse Services (OASAS).

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 2016 Through 2019" herein.

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total \$72.1 billion in FY 2016, an increase of \$9.2 billion (14.7 percent) from FY 2015 spending levels. The increase includes one-time extraordinary transfers of \$4.55 billion in monetary settlement receipts from the General Fund to the Dedicated Infrastructure Investment Fund (DIIF), and \$850 million to finance the FY 2016 cost of a multi-year settlement agreement for the resolution of the Federal OPWDD Disallowance.

Local assistance grants are expected to total \$44.4 billion, an annual increase of \$2.8 billion (6.6 percent), including \$1.7 billion for School Aid and roughly \$550 million for Medicaid. Other local assistance increases include, among other things, payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories, mainly for Medicaid payments to State-operated facilities.

State operations disbursements in the General Fund are expected to total \$8.3 billion in FY 2016, an annual increase of \$599 million (7.8 percent). An additional (27th) payroll, by agencies that provide institutional services, that occurs in FY 2016 adds \$167 million in one-time costs. Other spending increases include \$145 million for the Department of Health (DOH) to operate the New York State of Health (NYSOH) Exchange, continue the transition of administrative functions from local service districts to the State, and operate the new Basic Health Plan (BHP); \$48 million for the Department of Corrections and Community Supervision (DOCCS), mainly for inmate medical expenses; and \$36 million for the operations of the Judiciary. In addition, IT services that have been consolidated in the General Fund from non-General Fund accounts results in increased General Fund spending (\$86 million).

General State Charges (GSCs) are expected to total \$5.2 billion in FY 2016, an annual increase of \$196 million (3.9 percent) from FY 2015. Health insurance costs are projected to increase \$132 million or 4 percent. The State's annual pension payment is expected to increase by \$89 million, mainly due to repayment of amounts amortized in prior years. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2016, costs in excess of 14.5 percent of payroll for the Employees' Retirement System (ERS) and 22.5 percent for the Police and Fire Retirement System (PFRS) are expected to be amortized.

General Fund transfers to other funds are expected to total \$14.3 billion in FY 2016, an increase of \$5.7 billion from FY 2015. The annual change is mainly attributable to the Capital Projects transfer in support of DIIF (\$4.6 billion). In addition, \$850 million from monetary settlements will be used to pay the FY 2016 cost for resolution of the Federal OPWDD Disallowance. These increases are partly offset by the substantial prepayment in FY 2015 of debt service amounts due in FY 2016.

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 2016 Through 2019" herein.

Closing Balance for FY 2016

DOB projects that the State will end FY 2016 with a General Fund cash balance of \$3.5 billion, a decrease of \$3.8 billion from the FY 2015 closing balance. The decline mainly reflects the planned transfers of monetary settlement funds to the DIIF (\$4.6 billion) and the funding of the OPWDD Federal disallowance (\$850 million), partly offset by unbudgeted monetary settlements. In addition, the reduction in balance includes the use of resources from FY 2015 (\$190 million).

TOTAL DISBURSEMENTS (millions of dollars)			
	FY 2015 Results	FY 2016 Estimate	Annual Change
TOTAL GENERAL FUND BALANCE	7,300	3,495	(3,805)
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	74	74	0
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			0
Debt Management	500	500	0
Prior-Term Labor Agreements	50	60	10
Undesignated Reserve	190	0	(190)
Monetary Settlements	<u>4,667</u>	<u>1,042</u>	(3,625)
Budgeted Settlements:			
BNP Paribas	0	1,348	
All Other*	4,332	4,332	
Planned Use of Settlement Funds	(275)	(5,680)	
Unbudgeted Settlements:			
Commerzbank	610	692	
Deutsche Bank	0	600	
Planned Use of Settlement Funds	0	(250)	
*All monetary settlement resources received in FY 2015 carry over to the FY 2016 opening balance, when these, in addition to BNP Paribas resources, are planned for use. For a more complete discussion of monetary settlements, see "Monetary Settlements" herein.			

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 2016.

The Enacted Budget maintains a reserve of \$500 million for debt management purposes in FY 2016, unchanged from the level held at the end of FY 2015. DOB will make a decision on the use of these funds based on market conditions, Financial Plan needs, and other factors.

The Financial Plan continues to set aside money in the General Fund balance to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amount identified is calculated based on the “pattern” settlement for FY 2008 through FY 2011 that was agreed to by the State’s largest unions. The amount set aside is expected to be reduced as labor agreements for prior periods are reached with unsettled unions.

FY 2016 Detailed Gap-Closing Plan

The following table and narrative provide a summary of the proposed gap-closing plan.

FY 2016 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE¹	(1,814)	(2,578)	(4,034)	(5,777)
SPENDING CHANGES	757	515	735	830
Agency Operations	141	(25)	53	244
Executive Agency Operations	106	(9)	(15)	10
Fringe Benefits/Fixed Costs	102	57	140	292
University Systems	(11)	(8)	(7)	7
Judiciary	(56)	(65)	(65)	(65)
Local Assistance	1,244	887	1,139	1,271
Education	276	164	408	330
STAR	96	106	106	106
Mental Hygiene	280	105	123	293
DOH Global Cap -Statewide Medicaid Savings	200	200	200	200
Medicaid/HCRA	100	53	69	109
Social Services/Housing	129	95	103	102
Higher Education	71	127	97	99
All Other	92	37	33	32
Capital Projects/Debt Management	121	385	329	335
Initiatives/Investments²	(749)	(732)	(786)	(1,020)
School Aid	(250)	(371)	(387)	(407)
Other Education	(103)	(87)	(59)	(59)
Social Welfare	(79)	(24)	(24)	(24)
Health Care	(68)	(53)	(53)	(53)
Higher Education	(68)	(70)	(71)	(77)
Mental Hygiene	(36)	(35)	(35)	(35)
Transportation	(34)	(1)	(1)	(1)
Public Safety	(28)	(18)	(18)	(18)
Debt Service for Bonded Capital	(11)	(51)	(115)	(199)
All Other	(72)	(22)	(23)	(147)
RESOURCE CHANGES (NET OF NEW COSTS)	1,057	9	652	732
Tax Reestimates	215	320	748	924
Tax Extenders / Tax Credits	15	82	160	90
Resolution of Federal OPWDD Disallowance	(850)	(100)	(100)	(100)
Use of Reserve for Federal Disallowance	850	0	0	0
All Other	827	(293)	(156)	(182)
Adherence to 2% Spending Benchmark³	n/a	2,333	4,349	5,821
SURPLUS/(GAP) ESTIMATE	0	279	1,702	1,606

¹ Before actions to adhere to the 2 percent benchmark.

² Reflects Executive initiatives, including reserves to fund costs anticipated from future investments and initiatives, and distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes" and "Tax Extenders/Credits" categories.

³ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, a Budget in each fiscal year that restricts 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, budget gaps may result.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). These costs have significantly declined over the past several years through ongoing State agency redesign and cost-control efforts. Reductions from the mid-year “current services” projections for agency operations contribute \$141 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** The Enacted Budget Financial Plan generally holds personal service and non-personal service spending flat. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, particularly at mental hygiene State-operated facilities.
- **Fringe Benefits/Fixed Costs:** Estimates for the State’s pension costs have been revised downward to reflect the interest savings from paying the FY 2016 pension bill by the end of July 2015, rather than on the due date of March 1, 2016. The State’s health insurance costs have been revised to reflect lower than projected rate renewals, and a planned audit to identify and remove ineligible dependents from the New York State Health Insurance Program (NYSHIP). In addition, State Workers’ Compensation costs have been adjusted to reflect lower medical inflation rates and slower growth in average weekly wages.
- **University Systems:** Spending for the State University of New York (SUNY) is projected to decline, mainly due to the closure of the Long Island College Hospital (LICH). Over the Financial Plan period, spending in the university systems is expected to grow, on average, by roughly 2 percent annually.
- **Independent Officials:** Spending for the Legislature, the Department of Audit and Control (OSC), and the Department of Law is projected to remain essentially flat through FY 2019. Judiciary spending is projected to increase by 1.7 percent in FY 2016, driven primarily by the authorization in the FY 2015 Enacted Budget for additional Family Court Justices, statutory salary increases for non-judicial employees represented by the Civil Service Employees Association (CSEA), and increased funding for civil legal services.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals.² Reductions from the current-services projections for local assistance spending are expected to generate \$1.2 billion in General Fund savings. Expected savings from targeted actions and continuation of prior-year cost containment actions include:

- **Education:** The Executive Budget proposed a 4.8 percent (\$1.1 billion) increase in School Aid for the 2015-16 school year, which was offset by downward revisions to spending based on revised school district data as of November 2014, and revised estimates of costs associated with the preschool special education program and the summer school special education program. In the Enacted Budget, the Executive and Legislature agreed to additional School Aid for the 2015-16 school year for a total increase of \$1.4 billion (6.1 percent). In addition, the Enacted Budget includes funding for Persistently Failing Schools Transformation Grants to help turn around schools identified as having persistently low student achievement. The new spending authorized in budget negotiations is shown distinctly in the table under “Initiatives/Investments - School Aid.”
- **STAR:** The Enacted Budget aligns the New York City benefit with the STAR exemption program provided to the rest of the State by restricting the New York City PIT rate reduction to residents with incomes lower than \$500,000. In addition to these proposed savings, current STAR spending estimates have been reduced to reflect a decline in the estimated number of STAR exemption recipients.
- **Mental Hygiene:** The reduction in projected Mental Hygiene spending primarily stems from an acceleration of payments -- into FY 2015 -- associated with the State’s transition to Medicaid Managed Care, and prepayments for Voluntary Operated Intermediate Care Facilities and Day Habilitation services. It also reflects the use of Balancing Incentive Program (BIP) resources, authorized through the ACA, to support a number of new spending investments over a multi-year period. Additionally, the reduction shows slower than expected FY 2016 growth in OPWDD and the Office of Mental Health (OMH). Growth in the level of Medicaid-eligible costs also generates a projected reduction in Mental Hygiene spending. State Budget actions also reduce Mental Hygiene spending, reflecting efforts to “rightsized” State institutions, primarily in OPWDD, and to transition individuals with developmental disabilities to less costly, community-based settings.

² Local assistance includes payments for School Aid, STAR, Medicaid, public assistance, child welfare, local government assistance and a range of other purposes.

- **Medicaid:** The Enacted Budget Financial Plan includes \$200 million in annual State-share Medicaid savings beginning in FY 2016, a portion of which is achieved by funding certain OPWDD-related Medicaid costs under the Medicaid Global Cap. To accommodate these additional costs, DOH will use \$815 million in additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 from accelerating the enrollment in BHP of legally residing immigrants currently receiving State-only Medicaid. Under BHP, the cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. BHP resources will also be used by DOH to offset fiscal constraints on the Global Cap, and to implement initiatives consistent with the goals of the Medicaid Redesign Team (MRT).

In addition, downward revisions to certain public health programs financed by HCRA result in surplus resources available to support additional General Fund Medicaid spending.

- **Social Services/Housing:** Lower spending is expected in several programs, including Supplemental Security Income (SSI), Foster Care, Child Care, Adoption, Close to Home, and Special Education. In addition, General Fund savings are achieved by funding certain housing programs from the Mortgage Insurance Fund. These savings are partially offset by increased spending in Child Welfare and Adult Protective/Domestic Violence.
- **Higher Education:** Estimated spending has been lowered across several areas, including fringe benefit costs, community college base aid, Tuition Assistance Program (TAP) and scholarship programs.
- **All Other:** Lower General Fund spending is expected for local government grant awards, public safety, economic development, and health care programs.

Capital Projects/Debt Management

- Savings are expected to be achieved through continuing the use of competitive sales, refunding of higher-cost debt as market conditions permit, and efficiencies from the consolidation of bond sales. In addition, projections reflect the impact of revised capital spending estimates and future bonding assumptions.

Initiatives/Investments

- The Enacted Budget includes significant spending additions for education, human services, and health care. During negotiations, the Executive and Legislature agreed to approximately \$625 million in distinct new spending additions to the FY 2016 Executive Budget. The summary of legislative changes follows, under the heading, “Negotiated and Other Changes to the Executive Budget.”

Resource Changes

- **Tax Receipts:** The estimate for annual tax receipts has been revised upward across all major tax categories to reflect results to date.
- **Tax Extenders/Tax Credits:** The Enacted Budget includes various tax extenders and an expansion of existing tax credits, the largest of which include:
 - **Create the Urban Youth Jobs Program.** Doubles the annual allocation to \$20 million for program years 2015 through 2017. This program builds and expands upon the success of the Youth Works Tax Credit Program, which provided a credit to employers who hire unemployed, at risk youth.
 - **Extend the Limitation on Charitable Contribution Deductions for High Income New York State and New York City Personal Income Taxpayers for Two Years.** The limitation on charitable contribution deductions for New York State and New York City taxpayers with adjusted gross income over \$10 million is extended. The charitable contribution deduction limitation of 25 percent allowed under State Tax Law would have otherwise expired at the end of tax year 2015. The limitation has had no noticeable impact on charitable giving.
 - **Extend Warrantless Wage Garnishment for Two Years.** The authorization for DTF to garnish wages of delinquent taxpayers without filing a warrant with the DOS or County Clerks is extended. The current program, now set to expire on April 1, 2017, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF. The program has also proven to be taxpayer friendly, since warrants appear on an individual's credit report for seven years, even if the delinquency has been resolved.
- **Resolution of Federal OPWDD Disallowance:** On March 20, 2015, the State and the Centers for Medicare and Medicaid Services (CMS) signed an agreement that resolves a pending disallowance for FY 2011, and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State will adjust the Federal/State share of future Medicaid costs to reimburse the Federal government \$850 million in April 2015, and \$100 million annually for each of the next 11 years beginning in FY 2017. The State will use \$850 million in monetary settlement payments previously set aside for financial risks, to finance the FY 2016 cost of the Federal disallowance settlement.
- **Other Resources Changes:** Other resources largely reflects the substantial prepayment in FY 2015 of debt service amounts due in FY 2016. In addition, the timing of certain transfers and other transactions at the end of FY 2015 had the effect of making additional resources available for FY 2016.

Negotiated and Other Changes to Executive Budget

As further described below and as reflected in the following table, the Executive and Legislature, working from the Executive proposal, restored and added spending, amended tax laws and agreed on certain additional costs to be financed with additional available resources.

During negotiations, the Executive and Legislature agreed to \$625 million in General Fund spending additions to the FY 2016 Executive Budget proposal. These include restorations, which are costs from the rejection of certain savings proposals contained in the Executive Budget. The additions were based on target amounts for individual budget conference committees, and as negotiated among the committees. The most significant addition was for School Aid. The Executive and Legislature also reached agreement on the reprogramming of certain spending initiatives proposed in the Executive Budget.

Negotiations on tax law changes resulted in a number of changes from the Executive proposal, including the elimination of the Executive-proposed property tax credit which, if fully phased in, would have provided \$1.7 billion in tax relief. In addition, the Enacted Budget excludes the proposed establishment of an education investment tax credit and a reduction to corporate income taxes for small businesses.

The Enacted Budget includes additional costs in the Financial Plan associated with budget negotiations, as well as other costs that have materialized since the Executive Budget was proposed. Additional costs negotiated as part of the Enacted Budget include legislative rejection of proposed changes to the financing of the State's STAR program and the proposed health exchange user fee. The Enacted Budget includes new costs to address persistently failing schools, which will be required to have a State-approved improvement plan in place with student achievement metrics and goals; additional snow and ice costs; and the settlement agreement between the State and CMS concerning existing and potential CMS audit disallowances for State-operated payment rates for services prior to FY 2014.

Other resources have been identified to finance the restorations and additions, and to provide for a balanced budget in FY 2016. These include reestimates to disbursements and receipts based on operating results for FY 2015, resources made available by the substantial prepayment of debt service expenses in FY 2015 of amounts due during FY 2016, and other prepayments and management actions.

The table below summarizes all the changes to the FY 2016 Executive Budget, as amended, including the impact on outyear projections.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN				
GENERAL FUND				
(millions of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
RESTORATIONS/ADDITIONS	(625)	(546)	(524)	(544)
School Aid	(250)	(371)	(387)	(407)
Other Education Aid	(72)	(47)	(18)	(18)
Higher Education	(78)	(64)	(55)	(55)
Human Services/Labor	(60)	(18)	(18)	(18)
Health (incl. DOH Medicaid)	(51)	(31)	(31)	(31)
Housing/Agriculture/Environment	(20)	(2)	(2)	(2)
Transportation	(23)	(4)	(4)	(4)
General Government/Local Government Assistance	(20)	(4)	(4)	(4)
Economic Development	(19)	0	0	0
Public Protection/Criminal Justice/Judiciary	(17)	0	0	0
Mental Hygiene	(15)	(5)	(5)	(5)
NET TAX REVISIONS TO EXECUTIVE PLAN	(33)	272	845	1,293
<u>Not Accepted:</u>				
Real Property Tax Credit	0	350	850	1,350
Education Tax Credit	0	0	100	100
Reduce Income Tax on Small Businesses	0	26	29	32
Driver's License Suspension Requirements	(9)	(3)	(3)	(3)
Limit Sales Tax Avoidance	(5)	(10)	(10)	(10)
Reform Sales Tax on Industrial Development Authorities	(4)	(9)	(9)	(9)
Professional License Tax Clearance	0	(3)	(3)	(3)
Reciprocal Tax Agreement With Other States	(1)	(3)	(3)	(3)
Reform Investment Tax Credit on Master Tapes	0	0	(15)	(15)
Expand Sales Tax to Marketplace Providers	0	(56)	(56)	(56)
All Other	(4)	(10)	(10)	(10)
<u>Modified/New:</u>				
Wage Garnishment Requirements	0	0	(15)	(15)
Limit Personal Income Tax Charitable Itemized Deductions	0	0	0	(55)
Other Sales Tax	(10)	(10)	(10)	(10)
ADDITIONAL COSTS	(305)	(399)	(387)	(386)
No School Tax Relief/Income Tax Credit	(152)	(155)	(156)	(157)
No Health Exchange User Fee	(69)	(69)	(56)	(54)
Persistently Failing Schools Transformation Grants	(53)	(75)	(75)	(75)
Transportation - Snow and Ice Cost	(31)	0	0	0
Audit Disallowance - Federal Settlement	n/a	(100)	(100)	(100)
AVAILABLE RESOURCES	963	354	767	241
NET SAVINGS/(COSTS)	0	(319)	701	604

Monetary Settlements

The Department of Financial Services (DFS), Department of Law, and the Manhattan District Attorney's Office have reached financial settlements with a number of banks and other associated entities for violations of New York banking laws, and with a number of insurance companies and other associated entities for violations of New York insurance laws. The State has received a total of \$7 billion from monetary settlements in FY 2015 and FY 2016 including two settlements, valued at approximately \$1.3 billion, that were not part of budget negotiations. The Enacted Budget for FY 2016 earmarks \$5.4 billion for one-time purposes, including \$4.6 billion for capital projects to support economic development and infrastructure investments and \$850 million for a Federal disallowance settlement. In addition, the General Fund included \$275 million in FY 2015 and \$250 million in FY 2016 for operating purposes. The Financial Plan assumes monetary settlements in the amount of \$100 million in each of FY 2017 and FY 2018. Note that the Financial Plan does not reflect the May 2015 consent order between DFS and Barclays Bank PLC, and Barclays Bank PLC, New York Branch (collectively, "Barclays"). In May 2015, Barclays paid a \$485 million civil monetary penalty to the State pursuant to that consent order.

SUMMARY OF SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS		
(millions of dollars)		
	FY 2015	FY 2016
Monetary Settlements Received	4,942	2,030
BNP Paribas	2,243	1,348
Department of Financial Services (DFS)	2,243	0
Asset Forfeiture (DANY)	0	1,348
Credit Suisse AG	715	0
Commerzbank	610	82
Deutsche Bank	0	600
Bank of Tokyo Mitsubishi	315	0
Bank of America	300	0
Standard Chartered Bank	300	0
Bank Leumi	130	0
Ocwen Financial	100	0
Citigroup (State Share)	92	0
MetLife Parties	50	0
American International Group, Inc.	35	0
PricewaterhouseCoopers	25	0
AXA Equitable Life Insurance Company	20	0
Other Settlements	7	0
Enacted Budget Use of Available Settlements	(275)	(6,697)
Settlements Budgeted in Financial Plan	(275)	(250)
Transfer to Support OASAS Chemical Dependence Program		(5)
Transfer to Dedicated Infrastructure Investment Fund		(4,550)
Audit Disallowance - Federal Settlement		(850)
Undesignated		(1,042)

List of Settlements

The following settlements were received, or are expected to be received by the State.

- BNP Paribas, S.A. New York Branch (BNPP) paid the State nearly \$3.6 billion pursuant to (i) a June 29, 2014 consent order between DFS and BNPP and (ii) a June 30, 2014 plea agreement between BNPP and the New York County District Attorney (DANY) in connection with conduct by BNPP which violated U.S. national security and foreign policy and raised serious safety and soundness concerns for regulators, including the obstruction of governmental administration, failure to report crimes and misconduct, offering false instruments for filing, and falsifying business records.
- Credit Suisse AG paid \$715 million as a civil monetary penalty to the State pursuant to a May 18, 2014 consent order between DFS and Credit Suisse AG. This stemmed from Credit Suisse AG's decades-long operation of an illegal cross-border banking business whereby Credit Suisse AG knowingly and willfully aided thousands of U.S. clients in opening and maintaining undeclared accounts and concealing their offshore assets and income from the Internal Revenue Service and New York authorities.
- Commerzbank AG New York Branch and Commerzbank AG (collectively "Commerzbank") paid a \$610 million civil monetary penalty in accordance with a March 12, 2015 consent order between Commerzbank and the New York State DFS for violations of New York State Banking Law and regulations in connection with transactions on behalf of Iran, Sudan, and a Japanese corporation that engaged in accounting fraud. The State also received an additional \$81.7 million in penalties and forfeiture from Commerzbank AG in accordance with a Deferred Prosecution Agreement entered into by Commerzbank AG with the Manhattan District Attorney's Office and the United States Department of Justice, for moving more than \$250 million through the U.S. financial system primarily on behalf of Iranian and Sudanese customers in violation of U.S. sanctions by concealing the illegal nature of these transactions and deceiving U.S. banks into processing illegal wire payments.
- Deutsche Bank AG and Deutsche Bank AG, New York Branch (collectively "Deutsche Bank") paid a civil monetary penalty to the State in the amount of \$600 million in accordance with an April 23, 2015 consent order between Deutsche Bank and the New York State DFS for violations of New York State Banking Law and regulations in connection with the manipulation of benchmark interest rates, including the London Interbank Offered Rate, the Euro Interbank Offered Rate and Euroyen Tokyo Interbank Offered Rate.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) paid a \$315 million civil monetary penalty pursuant to a November 18, 2014 consent order between DFS and BTMU. The consent order pertains to actions taken by BTMU which wrongfully misled DFS in connection with its understanding of BTMU's U.S. dollar clearing services on behalf of sanctioned Sudanese, Iranian, and Burmese parties, the transactions of which were settled through

the New York Branch and other New York financial institutions. BTMU had previously paid to the State a \$250 million civil monetary penalty pursuant to a previous June 19, 2013 consent order between DFS and BTMU related to BTMU unlawfully clearing through the New York Branch and other New York-based financial institutions an estimated 28,000 U.S. dollar payments, valued at approximately \$100 billion, on behalf of certain sanctioned parties.

- Bank of America (BofA) paid \$300 million to the State pursuant to an August 18, 2014 settlement agreement to remediate harms related to BofA's violations of State law in connection with the packaging, origination, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into BofA Corporation, Bank of America, N.A., and Banc of America Mortgage Securities, as well as their current and former subsidiaries and affiliates.
- Standard Chartered Bank, New York Branch (SCB NY) paid \$300 million to the State pursuant to an August 19, 2014 consent order between the DFS and SCB NY for failure to fully comply with a September 21, 2012 consent order between the parties, by operating with certain ineffective risk management systems for the identification and management of compliance risks related to compliance with the Bank Security Act (BSA) and anti-money laundering (AML) laws, rules, and regulations, including BSA/AML risks related to U.S. dollar clearing for clients of SCB United Arab Emirates and SCB Hong Kong, among others.
- Bank Leumi paid a \$130 million civil monetary penalty pursuant to a December 22, 2014 consent order between DFS and Bank Leumi. The consent order pertains to (i) Bank Leumi's knowing and willful operation of a wrongful cross-border banking business to assist U.S. clients in concealing assets offshore and evading U.S. tax obligations, and (ii) Bank Leumi misleading DFS about Bank Leumi's improper activities.
- Ocwen paid a \$100 million civil monetary penalty and another \$50 million as restitution to current and former Ocwen borrowers pursuant to a December 19, 2014 consent order between DFS and Ocwen. The consent order pertains, among other things, to numerous and significant violations of a 2011 agreement between Ocwen and DFS which required Ocwen to adhere to certain servicing practices in the best interest of borrowers and investors. The \$100 million payment is to be used by the State for housing, foreclosure relief, and community redevelopment programs supporting New York's housing recovery. The \$50 million restitution payment will be used to pay \$10,000 each to current and former Ocwen-services borrowers in New York whose homes were foreclosed upon by Ocwen between January 1, 2009 and December 19, 2014. The balance of the \$50 million will then be distributed equally among borrowers who had foreclosure actions filed against them by Ocwen between January 1, 2009 and December 19, 2014, but in which Ocwen did not complete such foreclosure action.

- Citigroup Inc. (“Citigroup”) paid \$92 million to the State pursuant to a July 2014 settlement agreement to remediate harms to the State resulting from the packaging, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into Citigroup.
- American Life Insurance Company (ALICO), Delaware American Life Insurance Company (DelAm), and MetLife, Inc. (MetLife) (collectively “MetLife Parties”) paid \$50 million as a civil fine pursuant to a March 31, 2014 consent order between DFS and MetLife. The consent order related to a DFS investigation into whether ALICO and DelAm conducted an insurance business in New York without a New York license, and aided other insurers in doing an insurance business in New York without a New York license.
- AIG paid a \$35 million civil monetary penalty pursuant to an October 31, 2014 consent order between DFS and AIG. A DFS investigation uncovered that former subsidiaries, ALICO and DelAm, solicited insurance business in New York without a license and made intentional misrepresentations and omissions to DFS concerning those activities.
- PricewaterhouseCoopers LLP (PwC) paid \$25 million to the State pursuant to an August 14, 2014 settlement agreement between the DFS and PwC to (i) resolve the DFS’s investigation of PwC’s actions in performing certain consulting services for the Tokyo Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.
- AXA Equitable Life Insurance Company (AXA) paid \$20 million as a civil fine pursuant to a March 17, 2014 consent order between DFS and AXA. The consent order related to whether AXA properly informed DFS regarding the implementation of its “AXA Tactical Manager” strategy.

Uses of Certain Monetary Settlements

The Executive intends to direct the one-time resources from the monetary settlements to fund non-recurring expenditures. The majority of the settlement resources are expected to be used to fund new capital investments.

The Enacted Budget established a new capital fund called the DIIF, to allow settlement money to be set aside for the purposes it is intended to fund. The Enacted Budget Financial Plan includes a transfer of \$4.6 billion of the settlement funds from the General Fund to the DIIF during FY 2016. These resources will be on deposit in the DIIF to fund the following initiatives:

- **Upstate Revitalization Program (\$1.5 billion):** The Enacted Budget includes \$1.5 billion in funding for the Upstate Revitalization Initiative, whereby \$500 million grants will be awarded to three upstate regions.
- **Thruway Stabilization Program (\$1.3 billion):** The Enacted Budget includes \$1.285 billion to fund capital expenses related to both the *New NY Bridge*, which will replace the Tappan Zee Bridge, and the statewide New York State Thruway system.
- **Broadband Initiative (\$500 million):** The Enacted Budget establishes a \$500 million *New NY Broadband* initiative 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 up to \$355 million of 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 to be underserved by the Health Commissioner. Funding may be used to restructure debt obligations or fund capital improvements to facilitate mergers and consolidations of hospitals in rural communities. The Plan provides \$15.5 million to support capital expenses of the Roswell Park Cancer Institute; \$19.5 million to establish a community health care revolving capital fund; and \$10 million for IT and other infrastructure costs associated with the inclusion of behavioral health sciences in the Medicaid Managed Care benefit package.
- **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.

- **Infrastructure Improvements (\$115 million):** The Enacted Budget provides \$115 million for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other infrastructure improvements or economic development projects.
- **Transformative Economic Development Projects (\$150 million):** The Enacted Budget includes \$150 million to support transformative economic development and infrastructure projects. The State's investment will catalyze private investment, spurring significant economic development and job creation to help strengthen local communities in Nassau and Suffolk counties and their economies.
- **Resiliency, Mitigation, Security, and Emergency Response (\$150 million):** The Enacted Budget provides \$150 million in settlement funds to support preparedness and response efforts related to severe weather events. These funds will also support efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.
- **Municipal Restructuring (\$150 million):** The Enacted Budget provides \$150 million 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.
- **Southern Tier/Hudson Valley Farm Initiative (\$50 million):** The Enacted Budget includes \$50 million to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.

The DIIF legislation permits the use of available funds in case of economic downturn, and/or to cover disallowances and/or settlements related to overpayment of Federal Medicare and Medicaid revenues in excess of \$100 million. While the legislation provides the State with potential additional reserves for these purposes, the Enacted Budget Financial Plan does not assume these resources would be used for these purposes.

Other Uses

- **Resolution of Federal OPWDD Disallowance:** The Enacted Budget Financial Plan directed \$850 million in monetary settlement funds to finance the first installment in a recently agreed to settlement between the State and Federal government to resolve Federal disallowances.
- **OASAS:** The Enacted Budget assumes that \$5 million of settlement funds will be used to expand services provided by OASAS to individuals with dependencies on alcohol or drugs, or who have gambling problems.
- **Undesignated Reserves:** The Enacted Budget Financial Plan includes more than \$1 billion in undesignated reserves related to the receipt of monetary settlements.

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 the Financial Plan. In addition, the surplus projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings resulting 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, or defers payments, 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 reduction 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 rolling average of the medical care component of the consumer price index (CPI), respectively. However, the FY 2014 Enacted Budget, FY 2015 Enacted Budget, and FY 2016 Enacted Budget authorized spending for School Aid to increase above the growth in personal income that would otherwise be used to calculate the school year increases.

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

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

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to, and recovery from, severe weather events and other disasters. Pressure on the Federal government to make reductions is elevated so long as the budgetary caps resulting from the Budget Control Act of 2011 and subsequent legislation 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.

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) associated with childless adults. The Department of Health continues to both work with the CMS and refine the eligibility data systems to draw the appropriate amount of enhanced FMAP. This reconciliation may result in a a modification of payments to the State and local governments.

Federal Reimbursement for State Developmental Disability Services

As part of an approved plan between New York State and the Federal CMS, the State received a \$250 million Designated State Health Program (DSHP) payment as part of a multi-year effort to transform OPWDD services and provide more individuals with developmental disabilities the opportunity to be served in community-integrated settings. The \$250 million payment was received in FY 2015.

The Financial Plan assumes the State will reach agreement with CMS on a second phase of OPWDD transformation, which would accomplish a transition to holistic care management and value-based payments across all developmental disability systems. The transition to an integrated model of developmental disabilities-related care, behavioral health care, and medical care is expected to require significant changes to operations, structure, and organizational culture. The Financial Plan reflects the continuation of the \$250 million DSHP payment in FY 2016 and FY 2017 to help effectuate this transformation. Such Federal funding has not yet been approved by CMS.

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. In March 2015, a temporary suspension of the Federal debt limit expired, causing the debt limit to be reached. The Treasury Department has avoided default since then by operating under “extraordinary measures,” which again raises concern that the Federal debt ceiling may not be raised in a timely manner.

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 Federal government payment default in the future are unknown and impossible to predict. However, data from past economic downturns suggest that the State’s revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

Current Labor Negotiations (Current Contract Period)

The State has settled collective bargaining agreements with 97 percent of the State workforce subject to direct Executive control for the contract period that commenced in FY 2012. A seven-year agreement through FY 2018 was recently achieved with the Commissioned and Noncommissioned Officers unit in the Division of State Police. Five-year agreements through FY 2016 were reached with CSEA, the United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, DC-37 (Housing), and the Graduate Student Employees Union. Four-year agreements through FY 2015 were reached with the Public Employees Federation (PEF) and the Police Benevolent Association of New York State (PBANYS).

All of the agreements included wage and benefit concessions in exchange for contingent employee job protection. As such, the agreements have provided: two-year Deficit Reduction Plan (DRP) savings of \$300 million; no general salary increases for the three-year period FY 2012 through FY 2014; a 2 percent general salary increase in FY 2015; and a 2 percent general salary increase in FY 2016 for the employees with five-year agreements. Commissioned and Noncommissioned Officers in the Division of State Police will receive general salary increases of 1.5 percent in FY 2017 and FY 2018, respectively. Additionally, the agreements provided full-annual health benefit savings of \$230 million resulting from increases to employee/retiree premium shares, copays, out-of-network deductibles and coinsurance.

Other compensation has also been provided. Two lump sum payments — \$775 per employee in FY 2014 and \$225 per employee in FY 2015 — were paid to employees represented by CSEA, PBANYS, NYSCOPBA and Council 82. Additionally, UUP employees may receive lump sum payments of similar value in the form of Chancellor's Power of SUNY Awards and Presidential Discretionary Awards. However, employees represented by PEF and DC-37 (Housing) will not receive lump sum payments. Instead, they will be repaid for all DRP reductions over an extended period at the end of the contract term, whereas the others will be repaid for a portion of their reductions. Commissioned and Noncommissioned Officers in the Division of State Police will receive \$1,250 increases to Hazardous Duty and Expanded Duty payments, respectively.

The unions representing State Police Troopers and Investigators have no contracts in place for the period April 2011 forward.

Current Cash Flow Projections

The State authorizes the General Fund to borrow resources temporarily from available funds in the Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to temporarily borrow a minimal amount of 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 to make all planned payments as they become due through FY 2016, as reflected in the following table that includes month-end cash balance projections. 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 2016 (millions of dollars)			
	General Fund	Other Funds	All Funds
April	10,377	2,234	12,611
May	8,547	3,778	12,325
June	9,180	3,563	12,743
July	7,462	4,582	12,044
August	7,215	4,512	11,727
September	9,407	2,615	12,022
October	7,811	3,192	11,003
November	5,115	3,252	8,367
December	7,254	2,232	9,486
January	8,501	4,196	12,697
February	8,486	4,191	12,677
March	3,495	5,684	9,179

Pension Amortization

Background

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

In FY 2015, the State made a total pension payment to the New York State and Local Retirement System (NYSLRS) of \$1.7 billion and amortized \$620 million (the maximum amount legally allowable). The total payment included an additional \$18.8 million to pay off the 2006 amortization cost. In addition, the State's Office of Court Administration (OCA) made a total pension payment of \$280 million and amortized \$94 million (the maximum amount legally allowable). This included an additional \$21 million to pay off the 2011 pension amortization liability. The total deferred amount — \$713 million — will be repaid with interest over the next ten years, beginning in FY 2016.

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.

For amounts amortized in FY 2011 through FY 2015, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 percent, respectively. The Financial Plan assumes that both the State and OCA will also elect to amortize pension costs in FY 2016 and beyond, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB in the Financial Plan to be 3.15 percent per annum over ten years from the date of each deferred payment.

Rate Comparison -- Average Normal Rate & Amortization Rate

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

The normal contribution rates and the amortization rates are displayed in the following table:

ERS AND PFRS PENSION CONTRIBUTION RATES - ANNUAL PERCENTAGE CHANGE				
Fiscal Year (FY)	ERS Average		PFRS	
	Normal Rate ¹	ERS Amortization Rate	Normal Rate ¹	Amortization Rate
FY 2011	11.5	9.5	18.1	17.5
FY 2012	15.9	10.5	21.6	18.5
FY 2013	18.5	11.5	25.7	19.5
FY 2014	20.5	12.5	28.9	20.5
FY 2015	19.7	13.5	27.5	21.5
FY 2016	17.7	14.5	24.7	22.5

¹Group Life Insurance Plan excluded from the Average Normal Rates.

Outyear Projections

All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially. Additionally, the next five-year experience study performed by the Retirement Systems' Actuary is expected in 2015 and could change these projections materially.

The 2016 pension contribution rates, including Group Life Insurance Plan (GLIP), released by OSC on September 2, 2014, reflect an annual decline from 20.1 percent to 18.2 percent for ERS, and from 27.6 percent to 24.7 percent for PFRS. However, the rates were higher than anticipated by DOB (14.2 percent for ERS and 20.8 percent for PFRS), which had based its projections on the prior year actuarial assumptions of the Retirement Systems' Actuary. The higher-than-anticipated FY 2016 contribution rates are primarily attributable to the use of the Mortality Improvement Scale (MP-2014) actuarial assumptions, which, compared to prior year actuarial assumptions, reflect longer life expectancies for pensioners and beneficiaries and result in increased pension plan liabilities.

The Financial Plan incorporates MP-2014 actuarial assumptions and assumes amortization in FY 2016 and the outyears, as depicted in the following table. DOB currently plans to amortize future pension contribution costs above the graded rate based on current forecasted pension contribution rates, as permissible by statute. The actual amortization of future pension costs will be subject to revised pension contribution rates and/or other budgetary decisions and factors.

STATE PENSION COSTS AND AMORTIZATION SAVINGS									
(millions of dollars)									
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
AMORTIZATION THRESHOLDS (Graded Rate)									
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5
STATEWIDE PENSION PAYMENTS	1,470	1,697	1,601	2,086	2,130	2,219	2,467	2,660	2,890
Gross Pension Costs	1,633	2,141	2,192	2,744	2,429	2,226	2,334	2,404	2,519
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(395)	(299)	(212)	(122)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	414	388	432	468	493

The next table reflects projected pension contributions and amortizations for the Executive Branch and Judiciary employees participating in the New York State ERS and PFRS through 2029. The “Normal Costs” column shows the amount of the State’s pension cost prior to amortization, as authorized by Part TT of Chapter 57 of the Laws of 2010. The “(Amortized) / Excess Contributions” column shows new amounts deferred offset, in some cases by payments made ahead of schedule. The “Amortization Payments” column provides the amount paid in a given fiscal year (principal and interest on deferrals) pursuant to Part TT of Chapter 57 of the Laws of 2010. The “Total” column provides the State’s pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM ¹				
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS				
(millions of dollars)				
Fiscal Year	Normal Costs ²	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,552.8	(249.6)	0.0	1,303.2
2012	2,041.7	(562.9)	32.3	1,511.1
2013	2,085.3	(778.5)	100.9	1,407.7
2014	2,633.7	(937.0)	192.1	1,888.8
2015	2,317.0	(713.1)	326.6	1,930.5
Projections:				
2016	2,011.4	(395.1)	385.9	2,002.2
2017	2,112.5	(299.0)	432.3	2,245.8
2018	2,184.0	(212.4)	467.6	2,439.2
2019	2,298.3	(122.1)	492.7	2,668.9
2020	2,390.9	(33.0)	511.5	2,869.4
2021	2,462.3	0.0	515.4	2,977.7
2022	2,349.1	61.1	483.1	2,893.3
2023	2,349.2	0.0	351.6	2,700.8
2024	2,350.7	0.0	323.3	2,674.0
2025	2,350.4	0.0	209.6	2,560.0
2026	2,348.0	0.0	125.4	2,473.4
2027	2,343.3	0.0	78.7	2,422.0
2028	2,335.9	0.0	43.2	2,379.1
2029	2,329.7	0.0	18.2	2,347.9

¹Pension 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.

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

Consistent with the aforementioned amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution (starting in FY 2022) and (b) once all outstanding amortizations are paid off, additional contributions be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

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 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 2014, the State's Annual Required Contribution (ARC) represents the projected 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 2014, the projected unfunded actuarial accrued liability for FY 2014 is \$68.2 billion (\$54.3 billion for the State and \$13.9 billion for SUNY), an increase of \$1.7 billion from FY 2013 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2014 used an actuarial valuation of OPEB liabilities as of April 1, 2012. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarially determined annual OPEB cost for FY 2014 totaled \$3 billion (\$2.3 billion for the State and \$0.7 billion for SUNY), a decline of \$390 million from FY 2013 (\$322 million for the State and \$68 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 2014. This difference between the State's PAYGO costs, and the actuarially determined required annual contribution under GASB Statement 45, reduced the State's net asset condition at the end of FY 2014 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 Financial Plan. The State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis.

There is no provision in the Financial Plan to fund the actuarially determined required annual contribution 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), Civil Service and DOB, will continue to review

this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices. Beginning with FY 2016, the State expects to incorporate MP-2014 actuarial mortality assumptions, which reflect longer life expectancies for beneficiaries, resulting in increases to actuarial accrued liabilities and the present value of projected benefits.

The State is currently examining GASB-proposed changes to GASB Statement 45 requirements. The proposed changes 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. As proposed, the GASB changes would be implemented in the State's FY 2018 financial statements.

Monetary Settlements

The State periodically receives proceeds from monetary settlements that are deposited primarily to the General Fund. The Financial Plan assumes monetary settlement payments in the upcoming fiscal years (\$100 million each for FY 2017 and FY 2018). There can be no assurance that settlement proceeds in upcoming fiscal years will be received by the State at the levels assumed in the Financial Plan.

Litigation

Litigation against the State may include potential challenges to the constitutionality of various actions. The State may also be affected by adverse decisions that are the result of various lawsuits. Such adverse decisions may not meet the materiality threshold to warrant individual description but, in the aggregate, could still adversely affect the Financial Plan.

Update on Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. 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 over the coming years for response, recovery, and mitigation costs. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.

Climate Change Adaptation

Climate change 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 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 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, among other things, be subject to prevailing market conditions. Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments, generally may affect the market for outstanding State-supported and State-related debt.

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 Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. It was determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2014). The FY 2015 calculation is expected to be completed in October 2015.

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from \$4.1 billion in FY 2015 to \$498 million in FY 2019. This includes the estimated impact of the bond-financed portion of the Enacted Budget’s 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 2015	1,110,345	4.00%	44,414	40,364	4,050	3.64%	0.36%	11,502	51,867
FY 2016	1,156,105	4.00%	46,244	43,369	2,875	3.75%	0.25%	10,075	53,444
FY 2017	1,214,876	4.00%	48,595	47,052	1,543	3.87%	0.13%	8,705	55,757
FY 2018	1,278,706	4.00%	51,148	50,292	856	3.93%	0.07%	7,288	57,581
FY 2019	1,345,074	4.00%	53,803	53,305	498	3.96%	0.04%	6,139	59,444
FY 2020	1,413,141	4.00%	56,526	56,001	525	3.96%	0.04%	5,004	61,005

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 2015	149,109	5.00%	7,455	3,994	3,461	2.68%	2.32%	2,164	6,159
FY 2016	151,367	5.00%	7,568	4,141	3,427	2.74%	2.26%	956	5,097
FY 2017	153,728	5.00%	7,686	4,515	3,171	2.94%	2.06%	1,667	6,182
FY 2018	157,545	5.00%	7,877	4,967	2,910	3.15%	1.85%	1,718	6,685
FY 2019	160,109	5.00%	8,005	5,416	2,589	3.38%	1.62%	1,573	6,989
FY 2020	164,793	5.00%	8,240	5,852	2,387	3.55%	1.45%	1,449	7,301

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for the cost of upgrading their primary health care facilities. In the event of 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, 2015, there were approximately \$304 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 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 when \$24 million was paid. DASNY also estimates the State will pay debt service costs of approximately \$25 million in both FY 2016 and FY 2017, and approximately \$14 million annually in FY 2018 through FY 2020. 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 hospital whose debt service obligation was recently 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 the hospitals failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY Downstate Hospital and 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.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan for the Downstate Hospital. Specifically, the legislation required the sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter

dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. Generally, the approved sustainability plan anticipates: (a) a significant restructuring of health care service lines at Downstate Hospital in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance through DOH; and (b) monetizing the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations. Consistent with the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals (RFP) to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate.

In 2013, State Supreme Court Judge Demarest, who issued the May 2011 Order, issued, sua sponte, certain additional orders that could have affected the validity of the May 2011 Order. Also, in 2013, State Supreme Court Judge Baynes issued a series of orders that, effectively, precluded SUNY from exiting LICH operations. On February 25, 2014, Judges Demarest and Baynes approved a settlement whereby all parties agreed to discharge their claims, and the judges vacated their orders. Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a new 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 the FPG Cobble Hill Acquisitions, LLC, an affiliate of Fortis Property Group, LLC (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 agreement has been approved by the Office of Attorney General and the State Comptroller. The sale of all or substantially all, of the assets of Holdings is subject to additional approvals. 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.

2015 Legislative Session

The State's 2015 legislative session is expected to end on June 17, 2015. Impacts to the Financial Plan from end-of-session legislative activity are not expected to result in material and adverse differences to the estimates for the current fiscal year contained in this AIS. DOB expects to update its multi-year projections of receipts and disbursements with the first quarterly update to the AIS to reflect the fiscal impact, if any, of all legislation enacted in the remainder of the session.

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**State Financial Plan Projections
Fiscal Years 2016 Through 2019**

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Introduction

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2016 Enacted Budget actions. The section includes preliminary FY 2015 results and projections for FY 2016 through FY 2019, with an emphasis on the FY 2016 projections.

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

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

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, the first outyear of the FY 2016 Enacted Budget, FY 2017, is the most relevant from a planning perspective.

Summary

The FY 2016 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. In addition, the State ended FY 2015 with a sizeable General Fund cash-basis surplus largely due to a series of unbudgeted one-time monetary settlement payments reached between regulators and financial institutions.

The surplus projections for FY 2017 and thereafter set forth in the Financial Plan reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” While surplus projections reflect the savings estimated from adherence to the 2 percent spending benchmark, disbursement totals in Financial Plan tables and discussion do not assume these savings. If the State does not adhere to the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, and FY 2019, budget gaps may result in these years.

The following tables present the 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 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes (After Debt Service)	58,644	62,622	65,394	68,671	70,229
Miscellaneous Receipts/Federal Grants	8,412	4,365	2,591	2,353	2,212
Other Transfers	865	1,298	740	739	724
Total Receipts	67,921	68,285	68,725	71,763	73,165
DISBURSEMENTS					
Local Assistance Grants	41,592	44,356	46,783	49,160	51,653
School Aid	18,415	20,072	21,414	22,379	23,664
Medicaid/BHP	11,676	12,229	12,893	13,621	14,362
All Other	11,501	12,055	12,476	13,160	13,627
State Operations	7,664	8,263	8,311	8,564	8,406
Personal Service	5,806	6,079	6,049	6,076	6,104
Non-Personal Service	1,858	2,184	2,262	2,488	2,302
General State Charges	4,999	5,195	5,710	6,032	6,349
Transfers to Other Funds	8,601	14,276	9,945	10,644	10,962
Debt Service	1,297	886	1,242	1,422	1,210
Capital Projects	1,264	5,947	1,844	2,072	2,295
State Share of Mental Hygiene Medicaid	1,419	2,162	1,439	1,313	1,255
SUNY Operations	980	998	978	969	969
All Other	3,641	4,283	4,442	4,868	5,233
Total Disbursements	62,856	72,090	70,749	74,400	77,370
Adherence to 2% Spending Benchmark ¹	n/a	n/a	2,333	4,349	5,821
Use (Reservation) of Fund Balance:	(5,065)	3,805	(30)	(10)	(10)
Tax Stabilization Reserve Fund	(127)	0	0	0	0
Rainy Day Reserve Fund	(190)	0	0	0	0
Community Projects Fund	13	0	0	0	0
Prior-Term Labor Agreements	38	(10)	(30)	(10)	(10)
J.P. Morgan Settlement Proceeds	58	0	0	0	0
Undesignated Fund Balance	(190)	190	0	0	0
Monetary Settlements ²	(4,667)	3,625	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	279	1,702	1,606

¹ Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, Budgets that hold State Operating Funds spending growth to 2 percent annually. Assumes all savings from holding spending growth 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, budget gaps may result.

² FY 2016 reflects the transfer of \$4.55 billion from the General Fund to the Dedicated Infrastructure Investment Fund.

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS					
(millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Results	Enacted	Projected	Projected	Projected
RECEIPTS					
Taxes	69,661	73,213	76,757	80,457	82,690
Miscellaneous Receipts/Federal Grants	25,376	20,088	18,716	18,694	18,667
Total Receipts	95,037	93,301	95,473	99,151	101,357
DISBURSEMENTS					
Local Assistance Grants	61,052	63,305	65,759	68,503	71,212
School Aid	21,630	23,378	24,591	25,686	26,966
STAR	3,297	3,382	3,468	3,510	3,552
Special/Other Education	2,081	2,200	2,292	2,422	2,564
Higher Education	3,092	2,991	3,037	3,097	3,157
Medicaid (DOH)	16,790	17,414	18,161	18,936	19,675
Public Health/Aging	1,841	1,792	1,753	1,787	1,816
Mental Hygiene	2,923	2,718	2,860	3,305	3,497
Social Services	2,837	2,976	3,006	3,065	3,095
Transportation	4,834	4,862	4,916	4,987	5,051
Local Government Assistance	765	784	790	794	794
All Other	962	808	885	914	1,045
State Operations	18,157	18,488	18,604	18,916	18,910
Personal Service	12,550	12,868	12,834	12,897	12,999
Non-Personal Service	5,607	5,620	5,770	6,019	5,911
General State Charges	7,033	7,334	7,894	8,286	8,711
Pension Contribution	2,130	2,219	2,467	2,660	2,890
Health Insurance (Active Employees)	2,091	2,174	2,318	2,444	2,582
Health Insurance (Retired Employees)	1,228	1,277	1,362	1,436	1,516
All Other	1,584	1,664	1,747	1,746	1,723
Debt Service	6,183	5,122	6,208	6,699	7,004
Capital Projects	1	1	3	3	3
Total Disbursements	92,426	94,250	98,468	102,407	105,840
Net Other Financing Sources/(Uses)	2,028	(3,159)	892	630	344
Adherence to 2% Spending Benchmark¹	n/a	n/a	2,333	4,349	5,821
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(4,639)	4,108	49	(21)	(76)
General Fund	(5,065)	3,805	(30)	(10)	(10)
Special Revenue Funds	479	386	154	81	7
Debt Service Funds	(53)	(83)	(75)	(92)	(73)
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	279	1,702	1,606

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

Receipts

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 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 2016 are projected to total \$151.4 billion, an increase of 1.5 percent from FY 2015 results. The table below summarizes the multi-year receipts projections.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
Personal Income Tax	43,709	47,075	7.7%	50,115	6.5%	53,047	5.9%	54,426	2.6%
Consumption/Use Taxes	15,384	15,850	3.0%	16,394	3.4%	16,916	3.2%	17,487	3.4%
Business Taxes	8,504	8,137	-4.3%	8,047	-1.1%	8,261	2.7%	8,464	2.5%
Other Taxes	2,166	2,154	-0.6%	2,122	-1.5%	2,086	-1.7%	2,095	0.4%
Payroll Tax	1,271	1,346	5.9%	1,404	4.3%	1,473	4.9%	1,549	5.2%
Total State Taxes	71,034	74,562	5.0%	78,082	4.7%	81,783	4.7%	84,021	2.7%
Miscellaneous Receipts	29,438	25,410	-13.7%	24,094	-5.2%	23,751	-1.4%	23,887	0.6%
Federal Receipts	48,636	51,396	5.7%	51,553	0.3%	52,012	0.9%	52,202	0.4%
Total All Fund Receipts	149,108	151,368	1.5%	153,729	1.6%	157,546	2.5%	160,110	1.6%

State tax receipts are expected to increase 5 percent in FY 2016. The increase in PIT receipts is due to strong growth from an artificially low prior year base influenced by 2013 Federal tax law changes. The miscellaneous receipts decline in FY 2016 is primarily due to the substantial lowering of one-time monetary settlement payments with financial institutions. In addition, the FY 2016 General Fund total includes a \$250 million deposit from the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is a decrease of \$750 million from the amount of the reserve released in FY 2015. In other State funds, FY 2016 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period, the personal income and consumption/use tax categories are expected to grow. Business taxes and other taxes are expected to decline in some or all years due to tax cuts and reforms enacted in 2014.

After controlling for the impact of tax law changes, base tax revenue increased 4 percent in FY 2015, and is projected to increase by 4.5 percent for FY 2016 and 4.9 percent for FY 2017.

GENERAL FUND RECEIPTS (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Results	Enacted	Proposed	Projected	Projected
Total All Funds State Taxes ¹	69,763	73,216	76,678	80,310	82,472
Less Dedicated Taxes:					
STAR	(3,297)	(3,382)	(3,468)	(3,510)	(3,552)
Revenue Bond Tax Fund	(10,927)	(11,769)	(12,529)	(13,262)	(13,607)
LGAC/Sales Tax Bond Fund	(6,053)	(6,325)	(6,582)	(6,841)	(7,120)
Cigarette/Tobacco Tax	(958)	(911)	(873)	(843)	(814)
Sales Tax	(854)	(882)	(903)	(936)	(972)
Consumption/Use Taxes	(828)	(842)	(840)	(845)	(856)
Business Taxes	(2,239)	(2,240)	(2,255)	(2,302)	(2,355)
Real Estate Transfer Tax	(1,038)	(1,085)	(1,138)	(1,176)	(1,221)
Total General Fund Taxes	43,569	45,780	48,090	50,595	51,975
Miscellaneous Receipts	8,410	4,365	2,591	2,353	2,212
Federal Receipts	2	0	0	0	0
Total General Fund Receipts	51,981	50,145	50,681	52,948	54,187
Annual \$ Change		(1,836)	536	2,267	1,239
Annual % Change		-3.5	1.1	4.5	2.3

¹ Excludes the MTA payroll tax, which is collected by the State and passed through to the MTA.

Approximately 60 percent of All Funds tax receipts are deposited into the General Fund. The remaining tax collections are dedicated for various purposes including STAR payments to school districts, debt service reserves, health care, and transportation. General Fund tax receipts are projected to total \$45.8 billion in FY 2016, an increase consistent with the All Funds trends discussed above. General Fund miscellaneous receipts are expected to decrease by over \$4 billion as a result of the lower amount of the monetary settlement receipts and transfers noted above.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	43,709	47,075	7.7%	50,115	6.5%	53,047	5.9%	54,426	2.6%
Gross Collections	52,248	56,512	8.2%	60,063	6.3%	63,041	5.0%	64,460	2.3%
Refunds (Incl. State/City Offset)	(8,539)	(9,437)	-10.5%	(9,948)	-5.4%	(9,994)	-0.5%	(10,034)	-0.4%
GENERAL FUND¹	29,485	31,924	8.3%	34,118	6.9%	36,275	6.3%	37,267	2.7%
Gross Collections	52,248	56,512	8.2%	60,063	6.3%	63,041	5.0%	64,460	2.3%
Refunds (Incl. State/City Offset)	(8,539)	(9,437)	-10.5%	(9,948)	-5.4%	(9,994)	-0.5%	(10,034)	-0.4%
STAR	(3,297)	(3,382)	-2.6%	(3,468)	-2.5%	(3,510)	-1.2%	(3,552)	-1.2%
RBTF	(10,927)	(11,769)	-7.7%	(12,529)	-6.5%	(13,262)	-5.9%	(13,607)	-2.6%

¹Excludes Transfers.

All Funds income tax receipts for FY 2016 are projected to be \$47.1 billion, an increase of \$3.4 billion (7.7 percent) from FY 2015 results. This increase primarily includes withholding, estimated payments attributable to the 2015 tax year, and extension payments attributable to the 2014 tax year, partially offset by a substantial increase in total refunds due to a combination of refund payment timing and the increased cost of the Real Property Tax Freeze credit compared to FY 2015.

The following table summarizes, by component, actual receipts for FY 2015 and forecast amounts through FY 2019.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Results	Enacted	Projected	Projected	Projected
Receipts					
Withholding	34,907	36,940	38,971	40,400	42,198
Estimated Payments	13,743	15,746	17,039	18,378	17,796
Current Year	10,367	11,148	12,019	12,983	12,005
Prior Year ¹	3,376	4,598	5,020	5,395	5,791
Final Returns	2,206	2,493	2,670	2,841	2,984
Current Year	1,952	2,224	2,390	2,549	2,692
Prior Year ¹	254	269	280	292	292
Delinquent	1,392	1,333	1,383	1,422	1,482
Gross Receipts	52,248	56,512	60,063	63,041	64,460
Refunds					
Prior Year ¹	4,961	5,828	6,755	7,117	7,132
Previous Years	458	488	513	539	564
Current Year ¹	1,950	1,750	1,750	1,750	1,750
Advanced Credit Payment	579	783	342	0	0
State/City Offset ¹	591	588	588	588	588
Total Refunds	8,539	9,437	9,948	9,994	10,034
Net Receipts	43,709	47,075	50,115	53,047	54,426

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

Withholding in FY 2016 is projected to be \$2 billion (5.8 percent) higher than FY 2015, due mainly to moderate wage growth. Extension payments are estimated to increase by \$1.2 billion (36.2 percent), primarily due to growth in tax year 2014 nonwage income over a weak tax year 2013 base, which suffered from an acceleration of capital gains into tax year 2012. Estimated payments for tax year 2015 are projected to be \$781 million (7.5 percent) higher. Final return payments and delinquencies are projected to be \$287 million (13 percent) higher and \$59 million (4.2 percent) lower, respectively.

The increase in total refunds of \$898 million (10.5 percent) reflects an \$867 million (17.5 percent) increase in prior (tax year 2014) refunds, a \$30 million (6.6 percent) increase in previous (tax year 2013 and earlier) refunds, and a \$204 million (35.2 percent) increase in accelerated credit payments related to tax year 2015. This is partially offset by a \$200 million (10.3 percent) decrease in current (tax year 2015) refunds and a \$3 million (0.5 percent) decline in state-city offsets. The increase in prior (tax year 2014) refunds includes \$85 million in payments attributable to the first year of the Enhanced Real Property Tax Circuit Breaker credit. Refund payment timing accounts for another \$128 million of the growth in prior year refunds, resulting from the reduced amount of refunds paid during the first three months of 2015 relative to the same period 2014.

General Fund personal income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund personal income tax receipts for FY 2016 of \$31.9 billion are expected to increase by \$2.4 billion (8.3 percent) from FY 2015 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$11.8 billion and the STAR transfer is projected to be \$3.4 billion.

All Funds personal income tax receipts for FY 2017 of \$50.1 billion are projected to increase by just over \$3 billion (6.5 percent) from the FY 2016 estimate. This primarily reflects increases of \$2 billion (5.5 percent) in withholding, \$871 million (7.8 percent) in estimated payments related to tax year 2016, and \$422 million (9.2 percent) in extension payments related to tax year 2015, partially offset by a \$511 million (5.4 percent) increase in total refunds. The growth in withholding is the result of projected wage growth of 4.7 percent. The moderate growth in extension payments reflects tax year 2015 nonwage income growth that is projected to be substantially weaker than tax year 2014. The growth in total refunds is primarily attributable to \$400 million in Family Tax Relief credits which, unlike tax year 2013 payments, will not be paid as accelerated credits. Payments from final returns are expected to increase \$177 million (7.1 percent), while delinquencies are projected to increase \$50 million (3.8 percent) from the prior year.

General Fund personal income tax receipts for FY 2017 of \$34.1 billion are projected to increase by \$2.2 billion (6.9 percent). RBTF deposits are projected to be \$12.5 billion, and the STAR transfer is projected to be \$3.5 billion.

All Funds personal income tax receipts of \$53 billion in FY 2018 are projected to increase \$2.9 billion (5.9 percent) from the prior year. Gross receipts are projected to increase 5 percent, reflecting withholding that is projected to grow by \$1.4 billion (3.7 percent) and estimated

payments related to tax year 2017 that are projected to grow by \$964 million (8 percent). Payments from extensions for tax year 2016 are projected to increase by \$375 million (7.5 percent) and final returns are expected to increase \$171 million (6.4 percent). Delinquencies are projected to increase \$39 million (2.8 percent) from the prior year. Total refunds are projected to increase by \$46 million (0.5 percent) from the prior year.

General Fund personal income tax receipts for FY 2018 are projected to increase by \$2.2 billion (6.3 percent) to \$36.3 billion

All Funds personal income tax receipts are projected to increase by \$1.4 billion (2.6 percent) in FY 2019 to reach \$54.4 billion, while General Fund personal income tax receipts are projected to total \$37.3 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2015	FY 2016	FY 2017		FY 2018		FY 2019		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	15,384	15,850	3.0%	16,394	3.4%	16,916	3.2%	17,487	3.4%
Sales Tax	12,991	13,532	4.2%	14,067	4.0%	14,618	3.9%	15,212	4.1%
Cigarette and Tobacco Taxes	1,314	1,220	-7.2%	1,226	0.5%	1,187	-3.2%	1,148	-3.3%
Motor Fuel Tax	487	485	-0.4%	485	0.0%	482	-0.6%	478	-0.8%
Highway Use Tax	140	148	5.7%	142	-4.1%	143	0.7%	152	6.3%
Alcoholic Beverage Taxes	251	256	2.0%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	82	85	3.7%	85	0.0%	85	0.0%	85	0.0%
Auto Rental Tax	119	124	4.2%	128	3.2%	135	5.5%	141	4.4%
GENERAL FUND¹	6,691	6,890	3.0%	7,196	4.4%	7,451	3.5%	7,725	3.7%
Sales Tax	6,084	6,325	4.0%	6,582	4.1%	6,841	3.9%	7,120	4.1%
Cigarette and Tobacco Taxes	356	309	-13.2%	353	14.2%	344	-2.5%	334	-2.9%
Alcoholic Beverage Taxes	251	256	2.0%	261	2.0%	266	1.9%	271	1.9%

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2016 are estimated to be \$15.9 billion, an increase of \$466 million (3 percent) from FY 2015 results. Sales tax receipts are estimated to increase \$541 million (4.2 percent) from FY 2015, resulting from 4.4 percent base (i.e., absent law changes) growth, due to strong projected disposable income growth. Cigarette and tobacco tax collections are estimated to decline \$94 million (7.2 percent), primarily reflecting large declines in taxable cigarette consumption (particularly in New York City) and cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Motor fuel tax collections are expected to decrease \$2 million (0.4 percent), reflecting a decrease in audit collections as they return to historical levels, partially offset by slight growth in gasoline and diesel consumption.

General Fund consumption/use tax receipts for FY 2016 are estimated to total \$6.9 billion, an increase of \$199 million (3 percent) from FY 2015 results. This increase largely reflects increased sales tax collections, offset by cigar tax refunds and a decline in cigarette tax collections.

All Funds consumption/use tax receipts for FY 2017 are projected to be \$16.4 billion, an increase of \$544 million (3.4 percent) from the prior year. The projected \$535 million (4 percent) increase in sales tax receipts reflects sales tax base growth of 4.2 percent.

General Fund consumption/use tax receipts are projected to total \$7.2 billion in FY 2017, a \$306 million (4.4 percent) increase from the prior year. The projected increase in sales tax receipts reflects the All Funds trends noted above. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2016 base created by the cigar tax refunds mentioned earlier.

All Funds consumption/use tax receipts are projected to increase to \$16.9 billion (3.2 percent) in FY 2018 and to \$17.5 billion (3.4 percent) in FY 2019, 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 increase to \$7.5 billion (3.5 percent) in FY 2018 and \$7.7 billion (3.7 percent) in FY 2019, reflecting the All Funds trends noted above.

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.

Business Taxes

BUSINESS TAXES (millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	8,504	8,137	-4.3%	8,047	-1.1%	8,261	2.7%	8,464	2.5%
Corporate Franchise Tax	3,548	4,673	31.7%	4,419	-5.4%	4,591	3.9%	4,756	3.6%
Corporation and Utilities Tax	728	794	9.1%	811	2.1%	815	0.5%	835	2.5%
Insurance Tax	1,533	1,585	3.4%	1,559	-1.6%	1,614	3.5%	1,687	4.5%
Bank Tax	1,536	(10)	-100.7%	203	2130.0%	190	-6.4%	143	-24.7%
Petroleum Business Tax	1,159	1,095	-5.5%	1,055	-3.7%	1,051	-0.4%	1,043	-0.8%
GENERAL FUND	6,265	5,897	-5.9%	5,792	-1.8%	5,959	2.9%	6,109	2.5%
Corporate Franchise Tax	2,990	3,909	30.7%	3,617	-7.5%	3,747	3.6%	3,862	3.1%
Corporation and Utilities Tax	577	612	6.1%	619	1.1%	619	0.0%	630	1.8%
Insurance Tax	1,375	1,414	2.8%	1,383	-2.2%	1,431	3.5%	1,495	4.5%
Bank Tax	1,323	(38)	-102.9%	173	555.3%	162	-6.4%	122	-24.7%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2016 are estimated at \$8.1 billion, a decrease of \$367 million (4.3 percent) from FY 2015 results. The estimate primarily reflects a decline resulting from the first year of corporate tax reform (\$205 million) and a decrease in petroleum business tax (PBT) receipts, due to declines in the PBT index rates for 2015 and 2016.

Corporate franchise tax receipts are estimated to increase \$1.1 billion (31.7 percent) in FY 2016, reflecting corporate tax reform, which repealed the bank tax and imposed the corporate franchise tax on former bank taxpayers beginning in tax year 2015. Audit receipts are expected to increase \$491 million (79.8 percent), representing a rebound in large case audits.

Corporation and utilities tax receipts are expected to increase \$66 million (9.1 percent) in FY 2016. Both gross receipts and audits are expected to increase from the prior year, while refunds are expected to return to historical trends.

Insurance tax receipts are expected to increase \$52 million (3.4 percent) in FY 2016. Premiums from authorized insurers are expected to grow at trend rates. Audits and refunds are also expected to reflect historical trends.

Bank tax receipts are estimated to decrease by over \$1.5 billion (100.7 percent) in FY 2016, reflecting the movement of 2015 liability payments to the corporate franchise tax. Negative FY 2016 bank tax receipts reflect the net of payments from fiscal year filers with a liability period start date of 2014, prior period adjustments from calendar year and fiscal year filers, and audit receipts. Audit receipts are estimated to decline \$525 million as several large FY 2015 bank tax cases are not expected to be repeated in FY 2016.

PBT receipts are expected to decrease \$64 million (5.5 percent) in FY 2016, primarily due to the 3.2 percent decrease in the PBT rate index effective January 2015 and the estimated 5 percent decrease effective January 2016. These declines are partially offset by slight growth in both estimated gasoline and diesel consumption.

General Fund business tax receipts for FY 2016 of \$5.9 billion are estimated to decrease \$368 million (5.9 percent) from FY 2015 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 of \$8 billion are projected to decrease \$90 million (1.1 percent) from the prior year. The decline in corporate franchise tax receipts of \$254 million (5.4 percent) is the result of the decrease in the entire net income tax rate from 7.1 percent to 6.5 percent and the first year of the capital tax base phase-out (both effective for tax year 2016). These items were part of corporate tax reform enacted in the FY 2015 Budget. Bank tax receipts are projected to increase by \$213 million, primarily resulting from a reduced number of prior period adjustments and continued audit receipts. Corporation and utilities tax receipts growth of \$17 million (2.1 percent) reflects trend growth in FY 2017. Insurance tax receipts are projected to decline \$26 million (1.6 percent). Growth in insurance tax premiums is more than offset by the first year of refunds for the tax credit for assessments paid to the Life Insurance Guaranty Corporation (Insurance Law section 7712(a)(b) and tax law section 1511(f)). PBT receipts are expected to decrease \$40 million (3.7 percent) in FY 2017, primarily due to the estimated 5 percent decrease in the PBT rate index effective January 2016 noted above, and projected small declines in taxable motor fuel consumption, partially offset by growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of \$5.8 billion are projected to decrease \$105 million (1.8 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 and FY 2019 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 \$8.3 billion (2.7 percent) in FY 2018, and increase to \$8.5 billion (2.5 percent) in FY 2019. General Fund business tax receipts are expected to increase to \$6 billion (2.9 percent) in FY 2018 and \$6.1 billion (2.5 percent) in FY 2019.

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	2,166	2,154	-0.6%	2,122	-1.5%	2,086	-1.7%	2,095	0.4%
Estate Tax	1,109	1,050	-5.3%	965	-8.1%	891	-7.7%	855	-4.0%
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	1,038	1,085	4.5%	1,138	4.9%	1,176	3.3%	1,221	3.8%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
GENERAL FUND¹	1,128	1,069	-5.2%	984	-8.0%	910	-7.5%	874	-4.0%
Estate Tax	1,109	1,050	-5.3%	965	-8.1%	891	-7.7%	855	-4.0%
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	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2016 are estimated to be nearly \$2.2 billion, a \$12 million (0.6 percent) decrease from FY 2015 results. This reflects a \$47 million (4.5 percent) increase in real estate transfer tax receipts, more than offset by a \$59 million (5.3 percent) decrease in estate tax receipts. The estate tax decrease is primarily the result of FY 2015 Enacted Budget legislation that raises the filing threshold from \$1 million to \$5.25 million over a four-year period. The real estate transfer tax estimate reflects both an increase in the volume of transactions in New York City and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly \$1.1 billion in FY 2016, a \$59 million (5.2 percent) decrease from FY 2015 results, reflecting the estate tax change noted above.

All Funds other tax receipts for FY 2017 are projected to be just over \$2.1 billion, a \$32 million (1.5 percent) decrease from FY 2016. This reflects projected growth in real estate transfer tax receipts due to projected growth in both the residential and commercial real estate markets, particularly in New York City, more than entirely offset by a decline in projected estate tax receipts due to the continued phase-in of the increased filing threshold.

General Fund other tax receipts are projected to be just under \$1 billion in FY 2017, reflecting the decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 and FY 2019 reflect projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to decrease to just under \$2.1 billion (1.7 percent) in FY 2018, and remain at \$2.1 billion in FY 2019. General Fund other tax receipt estimates for FY 2018 and FY 2019 are projected to decrease by 7.5 percent and 4 percent, respectively, due to the projected decline in estate tax receipts noted above.

The divergence in growth rates between the All Funds and General Fund projections for other tax receipts reflects the dedication of the segment exhibiting growth (real estate transfer tax receipts) to other funds, and reflection of the declining portion (estate tax receipts) remaining in the General Fund.

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 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	29,438	25,410	-13.7%	24,094	-5.2%	23,751	-1.4%	23,887	0.6%
General Fund	8,410	4,365	-48.1%	2,591	-40.6%	2,353	-9.2%	2,212	-6.0%
Special Revenue Funds	16,557	15,276	-7.7%	15,709	2.8%	15,925	1.4%	16,040	0.7%
Capital Projects Funds	3,961	5,299	33.8%	5,341	0.8%	5,020	-6.0%	5,183	3.2%
Debt Service Funds	510	470	-7.8%	453	-3.6%	453	0.0%	452	-0.2%

All Funds miscellaneous receipts are projected to total \$25.4 billion in FY 2016, a decrease of 13.7 percent from FY 2015 results. This decrease is primarily due to the loss of one-time monetary settlement payments described earlier in this AIS. In addition to the loss of monetary settlements, the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget decreased by \$750 million from the amount received during the prior year. In other State funds, FY 2015 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to decrease annually beginning in FY 2016, mainly due to the loss of payments from SIF, and the phase-out of the temporary utility assessment.

FEDERAL GRANTS (millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	48,636	51,396	5.7%	51,553	0.3%	52,012	0.9%	52,202	0.4%
General Fund	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	46,531	49,627	6.7%	49,850	0.4%	50,322	0.9%	50,531	0.4%
Capital Projects Funds	2,030	1,696	-16.5%	1,630	-3.9%	1,617	-0.8%	1,598	-1.2%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

Aid from the Federal government helps pay for a variety of programs including Medicaid, public assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically projects Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the projections.

All Funds Federal grants are expected to increase in FY 2016, which is mainly driven by enhanced Federal Medicaid funding associated with the ACA. Federal grants are expected to grow to \$52.2 billion by FY 2019, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of Federal disaster assistance aid.

Disbursements

Total disbursements in FY 2016 are estimated at \$72 billion in the State's General Fund (including transfers) and \$94.3 billion in total State Operating Funds. Medicaid, education, pension costs, employee and retiree health benefits are significant drivers of annual spending growth. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates, with the exception of FY 2016 where the Enacted Budget increased School Aid by 6.1 percent on a school year basis, in excess of the indexed rate of 1.7 percent. The Enacted Budgets in FY 2014 and FY 2015 also approved increases for School Aid above the indexed rate.

The multi-year disbursements projections take into account various factors, including agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections 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.

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 \$63.3 billion in FY 2016 and accounts for two-thirds of total State Operating Funds spending. Education and health care spending account for nearly two-thirds of local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES					
(millions of dollars)					
	FY 2015 Results	FY 2016 Enacted	Forecast		
			FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
MEDICAID					
Individuals Covered	6,170,304	6,356,115	6,401,031	6,423,489	6,434,718
- Child Health Plus (Caseload)	278,168	295,400	304,200	313,300	322,700
State Takeover of County/NYC Costs	\$1,701	\$2,031	\$2,360	\$2,680	\$2,989
- Family Health Plus	\$147	\$0	\$0	\$0	\$0
- Medicaid	\$1,554	\$2,031	\$2,360	\$2,680	\$2,989
EDUCATION					
SY School Aid (Funding)	\$22,150	\$23,502	\$24,439	\$25,559	\$26,909
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	569,200	569,300	569,400	569,400	569,400
Tuition Assistance Program (Recipients)	302,398	302,669	302,669	302,669	302,669
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	247,629	237,675	230,690	225,303	220,501
Safety Net Program (Families)	114,643	109,098	105,340	102,501	99,995
Safety Net Program (Singles)	195,108	193,661	192,374	191,526	191,116
Total Mental Hygiene Community Beds					
- OMH Community Beds	40,766	42,989	46,141	47,883	49,157
- OPWDD Community Beds	41,966	42,532	42,890	43,199	43,530
- OASAS Community Beds	13,682	13,762	13,803	13,909	13,929
PRISON POPULATION (CORRECTIONS)					
	52,854	52,800	52,800	52,800	52,800

Education

School Aid

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

School Year (July 1 - June 30)

School Aid is expected to total \$23.5 billion in school year (SY) 2016, an increase of \$1.4 billion (6.1 percent) from SY 2015. This increase is provided largely through \$1 billion of additional general operating support, consisting of a \$603 million restoration in the Gap Elimination Adjustment (GEA) and a \$428 million increase in Foundation Aid. Another \$274 million supports increased reimbursement in expense-based aid programs (e.g., transportation, Boards of Cooperative Educational Services (BOCES), school construction) and other miscellaneous aid categories. The increase also includes \$47 million of funding for new competitive grants, led by \$30 million for prekindergarten for three- and four-year-old children.

In addition, the Enacted Budget Financial Plan provides \$75 million to help transform persistently failing schools. The Budget also continues to provide \$340 million of recurring annual funding to support Statewide Universal Full-Day Prekindergarten programs in order to incentivize and fund state-of-the-art programs and encourage creativity through competition.

Finally, the Enacted Budget maintains the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional \$937 million (4 percent) in SY 2017.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	<u>SY 2015</u>	<u>SY 2016</u>	<u>Change</u>	<u>SY 2017</u>	<u>Change</u>	<u>SY 2018</u>	<u>Change</u>	<u>SY 2019</u>	<u>Change</u>
Total	22,150	23,502	1,352	24,439	937	25,559	1,120	26,909	1,350
			6.1%		4.0%		4.6%		5.3%

School year values reflected in table do not include aid for Statewide Universal Full-Day Prekindergarten programs or the Persistently Failing Schools Transformation Grants.

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 funding levels on a State fiscal year basis.

SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	21,630	23,378	8.1%	24,591	5.2%	25,686	4.5%	26,966	5.0%
General Fund Local Assistance	18,290	20,072	9.7%	21,414	6.7%	22,378	4.5%	23,664	5.7%
General Fund Local Aid Guarantee	72	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Core Lottery Aid	2,265	2,219	-2.0%	2,181	-1.7%	2,173	-0.4%	2,167	-0.3%
VLT Lottery Aid	951	950	-0.1%	976	2.7%	902	-7.6%	902	0.0%
Commercial Gaming - VLT Offset	0	0	0.0%	0	0.0%	53	0.0%	53	0.0%
Commercial Gaming	0	137	0.0%	20	-85.4%	180	800.0%	180	0.0%
Prior Year Resources	52	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

State fiscal year spending for School Aid is projected to total \$23.4 billion in FY 2016. 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 over \$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 2016. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Board") in December 2014, and a fourth casino is presently under consideration by the Board. It was previously anticipated that the State's receipt of \$160 million in one-time casino licensing fees would be used to supplement School Aid in FY 2016, and casinos would be fully operational by FY 2017. Due to differences in timing and applicants chosen by the Board, the State now expects \$137 million from one-time licensing fees to supplement School Aid in FY 2016, and it is expected that the approved casinos will be fully operational by 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.

The State provides a full range of special education services to 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 lunch and breakfast program, 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 postsecondary 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.

OTHER EDUCATION (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	2,081	2,200	5.7%	2,292	4.2%	2,422	5.7%	2,564	5.9%
Special Education	1,451	1,470	1.3%	1,559	6.1%	1,673	7.3%	1,795	7.3%
All Other Education	630	730	15.9%	733	0.4%	749	2.2%	769	2.7%

The increase in other education spending for FY 2016 relative to FY 2015 is driven primarily by increases in expense-based reimbursements, one-time costs associated with targeted aid and grants, and increases to supplemental State charter school payments. Outyear growth is primarily driven by supplemental State charter school payments.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a \$65,300 exemption in FY 2016. 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 2016 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 \$83,300 (28 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (18 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The annual increase in a qualifying homeowner's STAR exemption benefit is currently limited to 2 percent. New York City personal income taxpayers with annual incomes over \$500,000 are not eligible starting in FY 2016.

SCHOOL TAX RELIEF (STAR)									
(millions of dollars)									
	FY 2015	FY 2016	FY 2017		FY 2018		FY 2019		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,297	3,382	2.6%	3,468	2.5%	3,510	1.2%	3,552	1.2%
Basic Exemption	1,739	1,816	4.4%	1,889	4.0%	1,900	0.6%	1,908	0.4%
Enhanced (Seniors)	931	948	1.8%	967	2.0%	991	2.5%	1,013	2.2%
New York City PIT	627	618	-1.4%	612	-1.0%	619	1.1%	631	1.9%

The spending growth is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program, including reregistration of qualified individuals. This growth is partially offset by an enacted restriction in the New York City PIT rate reduction to residents with incomes lower than \$500,000.

Higher Education

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

The State funds CUNY's senior college operations, and works in conjunction with New York City to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about \$1.2 billion in FY 2016 (this is not reflected in the 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 government.

HIGHER EDUCATION (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	3,092	2,991	-3.3%	3,037	1.5%	3,097	2.0%	3,157	1.9%
City University	1,395	1,426	2.2%	1,424	-0.1%	1,453	2.0%	1,497	3.0%
Senior Colleges	1,172	1,194	1.9%	1,194	0.0%	1,223	2.4%	1,267	3.6%
Community College	223	232	4.0%	230	-0.9%	230	0.0%	230	0.0%
Higher Education Services	1,210	1,062	-12.2%	1,111	4.6%	1,142	2.8%	1,159	1.5%
Tuition Assistance Program	1,159	990	-14.6%	1,003	1.3%	1,006	0.3%	1,006	0.0%
Scholarships/Awards	39	60	53.8%	96	60.0%	124	29.2%	141	13.7%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	487	503	3.3%	502	-0.2%	502	0.0%	501	-0.2%
Community College	483	498	3.1%	497	-0.2%	497	0.0%	496	-0.2%
Other/Cornell	4	5	25.0%	5	0.0%	5	0.0%	5	0.0%

Annual growth by CUNY across the multi-year Financial Plan reflects the net impact of one-time performance incentive funding in FY 2016, additional base operating support at community colleges, and fringe benefit cost increases at senior colleges. HESC spending is projected to decline slightly from FY 2015 to FY 2016, reflecting an accelerated payment of TAP costs in FY 2015. Growth in the outyears is primarily driven by a combination of newly enacted initiatives such as the Get On Your Feet loan forgiveness program, ongoing implementation of a scholarship for Science, Technology, Engineering and Math (STEM) included in the FY 2015 Enacted Budget, and additional TAP costs associated with projected community college tuition increases. Growth in SUNY local assistance primarily reflects additional base operating support at community colleges.

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 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 DSRIP program through an approved Federal waiver amendment to reinvest \$8 billion in Federal savings generated by 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 Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of approximately \$7 billion through FY 2019, with the remaining funds expected to be disbursed beyond the current planning period. A portion of this funding, which has yet to be allocated through the statewide awarding process, is expected to flow through the SUNY hospital system.

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 services³ 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. The Financial Plan reflects the continuation of the Medicaid spending cap through FY 2017, and the project assumes that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.6 percent for FY 2016. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.4 percent in FY 2017; 3.2 percent in FY 2018; and 3 percent in FY 2019. Certain administrative costs and changes in the Federal or local shares are not subject to this index.

³ The FY 2014 Enacted Budget eliminated the Family Health Plus (FHP) program effective January 1, 2015. The majority of the population previously receiving health care benefits through FHP have begun receiving more robust health care benefits through the Medicaid program, resulting from new Medicaid eligibility thresholds and increased Federal payments resulting from the ACA. The remainder of the previous FHP population, those above Medicaid levels, are eligible for Federal tax credits in the NYSOH insurance benefit exchange and a majority will become eligible for the BHP.

MEDICAID GLOBAL CAP FORECAST					
(millions of dollars)					
	FY 2015 ²	FY 2016	FY 2017	FY 2018	FY 2019
Global Medicaid Cap¹	16,507	17,104	17,692	18,259	18,812
Annual % Change		3.6%	3.4%	3.2%	3.0%

¹ Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI.
² FY 2015 is a projection, and is not based on actuals.

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, as well as increased Federal financial participation that became effective in January 2014 under the provisions of the ACA. State share Medicaid spending also appears in the 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 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Department of Health Medicaid	<u>16,953</u>	<u>17,570</u>	<u>17,868</u>	<u>18,612</u>	<u>19,330</u>
Local Assistance	16,790	17,280	17,560	18,316	19,036
State Operations ²	163	290	308	296	294
Other State Agency Medicaid Spending	<u>5,048</u>	<u>4,974</u>	<u>4,856</u>	<u>5,289</u>	<u>5,535</u>
Mental Hygiene	4,919	4,837	4,718	5,149	5,396
Foster Care	86	87	88	90	89
Education	43	50	50	50	50
Total State Share Medicaid (All Agencies)	22,001	22,544	22,724	23,901	24,865
Annual \$ Change		543	180	1,177	964
Annual % Change		2.5%	0.8%	5.2%	4.0%
Basic Health Plan³	0	170	643	649	666

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 Beginning in FY 2014 the Office of Health Insurance Programs was transferred to Medicaid from Public Health as part of the five-year phase-in initiative of the State to assume local administrative functions.
³ The BHP is not a Medicaid program; however, State-funded resources for the BHP 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 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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE OPERATING FUNDS	16,953	17,740	4.6%	18,511	4.3%	19,261	4.1%	19,996	3.8%
General Fund - DOH Medicaid Local	11,676	12,095	3.6%	12,292	1.6%	13,001	5.8%	13,723	5.6%
DOH Medicaid	10,961	11,246	2.6%	11,249	0.0%	12,163	8.1%	12,883	5.9%
Mental Hygiene Stabilization Fund ³	715	849	18.7%	1,043	22.9%	838	-19.7%	840	0.2%
General Fund - DOH Medicaid State Ops ⁴	163	290	77.9%	308	6.2%	296	-3.9%	294	-0.7%
General Fund - Basic Health Plan	0	170	0.0%	643	278.2%	649	0.9%	666	2.6%
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Other State Funds - DOH Medicaid Local	5,114	5,185	1.4%	5,268	1.6%	5,315	0.9%	5,313	0.0%
HCRA Financing	3,518	3,601	2.4%	3,684	2.3%	3,731	1.3%	3,729	-0.1%
Indigent Care Support	804	792	-1.5%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	792	792	0.0%	792	0.0%	792	0.0%	792	0.0%

¹ The BHP is not a Medicaid program; however, State funded resources for BHP 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.

Since FY 2014, certain OPWDD-related Medicaid costs have been financed within available resources under the Global Cap to alleviate the financial impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. The Enacted Budget includes \$200 million in Financial Plan savings, a portion of which are associated with additional OPWDD-related Medicaid costs which will be funded under the cap. These additional costs will be funded primarily from additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 as a result of accelerating the enrollment of certain legally residing immigrants who currently receive State-only Medicaid funding to the Basic Health Plan (BHP). The cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. These BHP resources will also be used by DOH over the Financial Plan period to support the Federal MRT waiver and to implement investments and initiatives consistent with MRT principles for improving the State's effectiveness and efficiency of health care service delivery.

Fluctuation in enrollment, the 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 in the State is expected to exceed 6.1 million by the end of FY 2015; this represents an 8.9 percent increase from FY 2014 caseload of 5.7 million. This expected growth is mainly attributable to expanded eligibility and enrollment pursuant to the ACA, which became effective in January 2014 and therefore is largely federally funded.

Basic Health Plan

The BHP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State's option to participate in the BHP. The Enacted Budget assumes the State will accelerate the phase-in of certain legally residing immigrants currently receiving State-only Medicaid coverage. Individuals who meet the eligibility standards of the BHP will be enrolled through the New York State of Health (NYSOH) insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 75 percent of program expenditures are expected to be paid by the Federal government. The State funding for BHP in the Enacted Budget is offset by State funds Medicaid program savings associated with BHP, and additional Federal funds are recognized through the duration of the planning period.

BASIC HEALTH PLAN (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL ALL FUNDS SPENDING	0	1,679	0.0%	2,660	58.4%	2,730	2.6%	2,810	2.9%
State Operating Funds	0	170	0.0%	643	278.2%	649	0.9%	666	2.6%
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Federal Operating Funds	0	1,509	0.0%	2,017	33.7%	2,081	3.2%	2,144	3.0%

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	1,841	1,792	-2.7%	1,753	-2.2%	1,787	1.9%	1,816	1.6%
Public Health	1,719	1,661	-3.4%	1,622	-2.3%	1,651	1.8%	1,674	1.4%
Child Health Plus	408	356	-12.7%	295	-17.1%	310	5.1%	326	5.2%
General Public Health Works	192	184	-4.2%	192	4.3%	194	1.0%	196	1.0%
EPIC	123	126	2.4%	132	4.8%	133	0.8%	128	-3.8%
Early Intervention	165	159	-3.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	441	435	-1.4%	433	-0.5%	433	0.0%	433	0.0%
All Other	390	401	2.8%	411	2.5%	422	2.7%	432	2.4%
Aging	122	131	7.4%	131	0.0%	136	3.8%	142	4.4%

Forecasted CHP spending has been revised downward in all years to reflect the actual spending and enrollment trends to date. State funds spending for CHP is projected to decline on an annual basis from FY 2015 levels, as a result of increased Federal funding associated with the ACA.

FY 2016 GPHW spending reflects a downward trend in reimbursement claims submitted by local governments. Annual program spending is projected to remain at moderate levels throughout the Financial Plan period.

EPIC program spending has been revised upward to reflect increased pharmaceutical costs which impact Medicare Part D premium payment estimates.

Reductions in EI from FY 2015 are based on claiming projections.

HCRA program spending from FY 2016 to FY 2019 is expected to remain relatively constant.

HCRA Financial Plan

HCRA was established in 1996 to help finance a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including FHP and CHP. HCRA has also provided additional financing for the health care industry, including investments in worker recruitment and retention, and the Doctors Across New York program. HCRA authorization has been 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 DOH Medicaid, as well as CHP, the NYSOH, EPIC, Physician Excess Medical Malpractice Insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

HCRA FINANCIAL PLAN FY 2015 THROUGH FY 2019					
(millions of dollars)					
	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
OPENING BALANCE	9	14	0	0	0
TOTAL RECEIPTS	5,457	5,505	5,528	5,551	5,582
Surcharges	2,949	3,006	3,054	3,159	3,222
Covered Lives Assessment	1,075	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	958	911	873	843	814
Hospital Assessments	384	391	408	424	424
NYC Cigarette Tax Transfer/Other	91	87	83	80	77
TOTAL DISBURSEMENTS	5,452	5,519	5,528	5,551	5,582
Medicaid Assistance Account	<u>3,518</u>	<u>3,601</u>	<u>3,684</u>	<u>3,731</u>	<u>3,730</u>
Medicaid Costs	3,010	3,404	3,487	3,534	3,533
Family Health Plus	311	0	0	0	0
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	804	792	792	792	792
HCRA Program Account	452	448	446	446	446
Child Health Plus	411	361	300	315	332
Elderly Pharmaceutical Insurance Coverage	134	138	144	145	140
SHIN-NY/APCD	31	55	40	0	0
All Other	102	124	122	122	142
ANNUAL OPERATING SURPLUS/(DEFICIT)	5	(14)	0	0	0
CLOSING BALANCE	14	0	0	0	0

HCRA surcharge and hospital assessment revenue in the Financial Plan is forecast to align anticipated revenue collections with recent patterns which reflect the impact of MRT initiatives to improve the cost efficiency of health care service delivery settings. The level of growth forecasted in surcharge and hospital assessments is primarily attributable to expanded health insurance coverage through the ACA, and an expectation for a higher volume of health care services being provided throughout the State. The health care industry assessment revenue growth is partly offset by projected declines in cigarette tax collections due to declining tobacco consumption, resulting in projected total HCRA receipts growth of nearly 1 percent on an average annual basis through FY 2019.

HCRA spending is expected to increase by \$67 million in FY 2016 to total \$5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs, and increased capital costs associated with the Statewide Health Information Network for New York (SHIN-NY), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming. HCRA spending growth in FY 2016 is partially offset by a lower spending forecast for CHP, driven by moderating enrollment and increased Federal funding under the ACA.

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

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 patients 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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	2,923	2,718	-7.0%	2,860	5.2%	3,305	15.6%	3,497	5.8%
People with Developmental Disabilities	1,462	1,212	-17.1%	1,274	5.1%	1,590	24.8%	1,712	7.7%
OPWDD Funding¹	2,177	2,350	7.9%	2,317	-1.4%	2,428	4.8%	2,552	5.1%
Residential Services	1,454	1,571	8.0%	1,549	-1.4%	1,623	4.8%	1,707	5.2%
Day Programs	633	684	8.1%	675	-1.3%	707	4.7%	743	5.1%
Clinic	21	23	9.5%	22	-4.3%	23	4.5%	24	4.3%
All Other Local/Resources	69	72	4.3%	71	-1.4%	75	5.6%	78	4.0%
Other Funding Resources	(715)	(1,138)	-59.2%	(1,043)	8.3%	(838)	19.7%	(840)	-0.2%
Mental Hygiene Stabilization Fund	(715)	(849)	-18.7%	(1,043)	-22.9%	(838)	19.7%	(840)	-0.2%
Federal BIP Resources (Federal Funds)	0	(289)	0.0%	0	100.0%	0	0.0%	0	0.0%
Mental Health	1,157	1,184	2.3%	1,250	5.6%	1,366	9.3%	1,424	4.2%
OMH Funding¹	1,157	1,218	5.3%	1,250	2.6%	1,366	9.3%	1,424	4.2%
Adult Local Services	938	987	5.2%	1,013	2.6%	1,107	9.3%	1,154	4.2%
Children Local Services	219	231	5.5%	237	2.6%	259	9.3%	270	4.2%
Other Funding Resources	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Federal BIP Resources (Federal Funds)	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Alcohol and Substance Abuse	303	321	5.9%	335	4.4%	348	3.9%	360	3.4%
Outpatient/Methadone	121	129	6.6%	134	3.9%	139	3.7%	144	3.6%
Residential	118	124	5.1%	131	5.6%	136	3.8%	141	3.7%
Prevention and Program Support	52	55	5.8%	57	3.6%	59	3.5%	61	3.4%
Crisis	12	13	8.3%	13	0.0%	14	7.7%	14	0.0%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

¹ Program funding detail for OPWDD and OMH includes new multi-year spending investments which will be financed with additional Federal resources through BIP.

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 4.6 percent annually. The main factor driving this level of growth is enhancement of community mental health services, right-sizing and improving State-operated inpatient services, utilizing less costly and more programmatically appropriate in-state community residential programs enhancing employment opportunities for individuals with disabilities, and maximizing payments from third-party payers.

The Financial Plan includes additional annual statewide Medicaid savings of \$200 million, a portion of which will be achieved through the continued shift of certain OPWDD-related Medicaid costs to the DOH, whereby the costs will be funded within the existing Medicaid Global Cap at no increased cost to the Financial Plan, and without impact to overall service delivery. In FY 2015, the Medicaid budget supported \$715 million of OPWDD's Medicaid-eligible expenses, which will increase to \$850 million in FY 2016. To accommodate the funding of these additional costs within the Global Cap, DOH will leverage available BHP resources.

In addition, OPWDD and OMH will utilize \$323 million in Federal BIP resources in FY 2016 to support new multi-year spending investments. Authorized under the ACA, BIP is an optional program that provides additional Federal funding to qualifying states. 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 developmental disabilities and mental illness, and enhance community integration. The \$323 million in FY 2016 BIP investments is intended to transform services and supports to more integrated, community-based opportunities; increase employment opportunities for individuals with developmental disabilities; implement electronic health record systems; and support the transition to managed care.

The Enacted Budget includes a partnership between OMH and DOCCS that will revise the process for identifying, assessing, treating, discharging, and supervising mentally ill patients who pose a potential risk of violence in State facilities and the community. The proposal will expand community services, provide additional treatment services in prisons, and create additional capacity for civil confinements in OMH facilities. This proposal will result in new intensive treatment beds and transitional beds, expand in-prison and community treatment services, supportive housing, and ACT. The Enacted Budget will add \$8 million in local assistance support in FY 2016, and \$18 million each year from FY 2017 to FY 2019, as well as approximately \$12 million annually in additional OMH State operations costs for this initiative.

In July 2014, CMS issued the State a disallowance notification in the amount of \$1.26 billion. On March 20, 2015, the State and CMS entered into a settlement agreement that resolves the \$1.26 billion pending disallowance for FY 2011 and all related payment disputes for State-operated services, including home and community-based waiver services, prior to April 1, 2013, and various other related CMS audit findings for OPWDD-delivered services for this time period. As part of this agreement, the State will provide an \$850 million payment to the Federal government in April 2015, and annual payments of \$100 million for each of the next 11 years beginning in FY 2017. Such payments are reflected in the Financial Plan. (See "Other Matters Affecting the Financial Plan - Federal Issues" herein.)

Social Services

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

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)										
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	
TOTAL STATE OPERATING FUNDS	1,236	1,218	-1.5%	1,236	1.5%	1,247	0.9%	1,262	1.2%	
SSI	683	660	-3.4%	670	1.5%	679	1.3%	679	0.0%	
Public Assistance Benefits	435	437	0.5%	437	0.0%	437	0.0%	437	0.0%	
Public Assistance Initiatives	21	30	42.9%	27	-10.0%	27	0.0%	36	33.3%	
All Other	97	91	-6.2%	102	12.1%	104	2.0%	110	5.8%	

Spending in SSI is projected to increase gradually over the course of the Financial Plan due to updated caseload projections. In public assistance, DOB projects a total of 540,434 recipients in FY 2016. Approximately 237,675 families are expected to receive benefits through the Family Assistance program in FY 2016, a decrease of 4 percent from FY 2015. In the Safety Net program an average of 109,098 families are expected to be helped in FY 2016, a decrease of 4.8 percent from FY 2015. The caseload for single adults/childless couples supported through the Safety Net program is projected at 193,661 in FY 2016, a decrease of 0.7 percent from FY 2015.

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 2015	FY 2016	FY 2017		FY 2018		FY 2019		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,601	1,758	9.8%	1,770	0.7%	1,818	2.7%	1,833	0.8%
Child Welfare Service	351	454	29.3%	463	2.0%	472	1.9%	482	2.1%
Foster Care Block Grant	439	445	1.4%	453	1.8%	462	2.0%	471	1.9%
Adoption	155	152	-1.9%	152	0.0%	152	0.0%	152	0.0%
Day Care	308	287	-6.8%	287	0.0%	287	0.0%	279	-2.8%
Youth Programs	104	167	60.6%	156	-6.6%	155	-0.6%	155	0.0%
Medicaid	86	87	1.2%	88	1.1%	90	2.3%	89	-1.1%
Committees on Special Education	42	39	-7.1%	42	7.7%	44	4.8%	46	4.5%
Adult Protective/Domestic Violence	30	38	26.7%	40	5.3%	41	2.5%	42	2.4%
All Other	86	89	3.5%	89	0.0%	115	29.2%	117	1.7%

OCFS spending in FY 2016 is projected to increase over FY 2015 levels, mainly due to Child Welfare Services spending changes resulting from both a projected increase in claims, and cash management actions which had previously reduced FY 2015 spending.

Transportation

In FY 2016, the State will provide \$4.9 billion to support the operating costs of the statewide mass transit systems financed from dedicated taxes and fees. The MTA, due to the size and scope of its transit and commuter rail systems, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit and commuter rail systems. Pursuant to legislation enacted in December 2011, 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 for the resulting loss of revenue.

TRANSPORTATION (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	4,834	4,862	0.6%	4,916	1.1%	4,987	1.4%	5,051	1.3%
Mass Transit Operating Aid:	<u>2,161</u>	<u>2,160</u>	<u>0.0%</u>	<u>2,160</u>	<u>0.0%</u>	<u>2,160</u>	<u>0.0%</u>	<u>2,160</u>	<u>0.0%</u>
Metro Mass Transit Aid	2,015	2,030	0.7%	2,030	0.0%	2,030	0.0%	2,030	0.0%
Public Transit Aid	94	86	-8.5%	86	0.0%	86	0.0%	86	0.0%
18-b General Fund Aid	27	19	-29.6%	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	1,945	1,976	1.6%	2,054	3.9%	2,126	3.5%	2,193	3.2%
Dedicated Mass Transit	682	656	-3.8%	648	-1.2%	647	-0.2%	644	-0.5%
AMTAP	45	68	51.1%	53	-22.1%	53	0.0%	53	0.0%
All Other	1	2	100.0%	1	-50.0%	1	0.0%	1	0.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast, and timing associated with the availability of resources. The increase in Additional Mass Transportation Assistance Program (AMTAP) funding in FY 2016 reflects the legislative additions to the program.

Not reflected in the above table is authorization included in the FY 2016 Enacted Budget to transfer annually \$121 million in additional dedicated transit revenues from the Metropolitan Mass Transportation Operating Assistance Account (MMTOA) to the newly established Metropolitan Transit Assistance for Capital Investment Fund (MTACIF), which will be used to support infrastructure needs of the MTA and other downstate transit systems. In addition, the Financial Plan assumes that \$20 million in MMTOA resources will be available annually to offset MTA-related debt service costs from FY 2016 to FY 2019.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)									
	FY 2015	FY 2016	FY 2017		FY 2018		FY 2019		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	
TOTAL AIM STATE OPERATING FUNDS	726	741	2.1%	759	2.4%	763	0.5%	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	11	26	136.4%	44	69.2%	48	9.1%	48	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period, reflecting potential awards from the Financial Restructuring Board for Local Governments. All Other aid under AIM is expected to be maintained in each year of the Financial Plan.

Agency Operations

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

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (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).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2015 Results	FY 2016 Enacted	Forecast		
			FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Negotiated Base Salary Increases ¹					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	2%	TBD	TBD	TBD
PEF / PBANYS	2%	TBD	TBD	TBD	TBD
PBA ²	2%	2%	1.5%	1.5%	TBD
State Workforce ³	117,807	119,349	TBD	TBD	TBD
ERS Pension Contribution Rate ⁴					
Before Amortization (Normal/Admin/GLIP)	20.4%	18.5%	18.6%	18.8%	19.0%
After Amortization	13.5%	14.5%	15.5%	16.5%	17.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	28.1%	25.0%	25.2%	25.4%	25.6%
After Amortization	21.5%	22.5%	23.5%	24.5%	25.5%
Employee/Retiree Health Insurance Growth Rates	1.8%	4.2%	6.6%	5.4%	5.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.5%	13.7%	13.9%	13.8%	13.9%

¹ Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
² Reflects settlement with the commissioned and noncommissioned officers unit only.
³ Reflects workforce that is Subject to Direct Executive Control.
⁴ As Percent of Salary.

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

DOH, gaming, and SUNY are three areas expected to experience limited programmatic growth. DOH operational increases are mainly due to transitioning of certain functions from the local services districts to the State as part of the ongoing statewide administrative takeover initiative and the implementation of the NYSOH insurance benefit exchange, the State's insurance marketplace program under the ACA. The growth in gaming is attributable to activities related to casino development and oversight. Higher SUNY spending reflects anticipated operating needs primarily supported by tuition.

Payments to the New York Power Authority (NYPA) represent an accounting reclassification across certain Financial Plan categories, but do not carry a Financial Plan impact. These payments were previously assumed in the Financial Plan under different categorization, pursuant to funding schedules agreed upon by the State and NYPA.

State Financial Plan Projections
Fiscal Years 2016 Through 2019

Other year-over-year increases are technical in nature and reflect funding reclassifications or administrative reconciliations. For example, growth in Temporary and Disability Assistance reflects the reclassification of local assistance contracts to agency operation spending. In addition, the State's workforce is paid on a bi-weekly basis; weekly pay cycles alternate between administrative and institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule will have one additional payroll.

STATE OPERATING FUNDS - AGENCY OPERATIONS ¹					
(millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Results	Enacted	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	9,881	10,196	10,152	10,333	10,189
Mental Hygiene	2,861	2,792	2,794	2,814	2,856
Corrections and Community Supervision	2,641	2,615	2,638	2,638	2,638
State Police	667	639	651	651	651
Public Health	412	404	399	401	401
Tax and Finance	348	330	330	331	331
Children and Family Services	264	259	251	253	260
Environmental Conservation	230	238	238	216	217
Information Technology Services ²	426	513	523	523	535
Financial Services	191	212	210	210	210
Medicaid Admin/BHP	163	326	350	325	321
Parks, Recreation and Historic Preservation	180	177	178	178	178
Gaming	134	156	156	157	157
Temporary and Disability Assistance	140	143	143	143	143
General Services	152	163	165	165	165
Workers' Compensation Board	142	142	142	142	143
Extra Bi-Weekly Institutional Pay Period	0	167	0	0	0
New York Power Authority Repayment	18	21	21	236	22
All Other	912	899	963	950	961
UNIVERSITY SYSTEMS	5,854	5,804	5,953	6,083	6,220
State University	5,774	5,720	5,867	5,995	6,131
City University	80	84	86	88	89
INDEPENDENT AGENCIES	306	311	312	313	314
Law	165	168	170	171	172
Audit & Control (OSC)	141	143	142	142	142
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	16,041	16,311	16,417	16,729	16,723
Judiciary	1,909	1,958	1,968	1,968	1,968
Legislature	207	219	219	219	219
Statewide Total	18,157	18,488	18,604	18,916	18,910
Personal Service	12,550	12,868	12,834	12,897	12,999
Non-Personal Service	5,607	5,620	5,770	6,019	5,911

¹ Does not include employee fringe benefits

² Reflects consolidation of IT costs from other agencies within ITS; which does not change total governmental spending.

In FY 2016, \$12.9 billion or 13.7 percent of the State Operating Funds budget is projected to be spent on personal service costs. This funding supports roughly 99,260 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,900) and Independent Agencies (18,100); employees paid on a non-annual salaried basis; and overtime pay. Roughly 70 percent of all Executive agency personal service spending occurs in three areas: SUNY, the Mental Hygiene agencies, and DOCCS.

STATE OPERATING FUNDS		
FY 2016 FTEs¹ AND PERSONAL SERVICE SPENDING BY AGENCY		
(millions of dollars)		
	<u>Dollars</u>	<u>FTEs</u>
Subject to Direct Executive Control	<u>7,350</u>	<u>99,260</u>
Mental Hygiene Agencies	2,336	34,309
Corrections and Community Supervision	2,177	28,056
State Police	571	5,612
Tax and Finance	277	4,359
Health	263	3,919
Environmental Conservation	182	2,238
Children and Family Services	166	2,561
Financial Services	154	1,390
Parks, Recreation and Historic Preservation	137	1,559
All Other	1,087	15,257
University Systems	<u>3,621</u>	<u>43,911</u>
State University	3,579	43,575
City University ²	42	336
Independent Agencies	<u>1,897</u>	<u>18,072</u>
Law	116	1,577
Audit & Control (OSC)	111	1,572
Judiciary	1,504	14,922
Legislature ³	166	1
Total	<u><u>12,868</u></u>	<u><u>161,243</u></u>

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 and total additional 13,275 FTEs excluded from the table above.

³ Legislative employees are non-annual salaried, 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 share of Social Security, health insurance, workers' compensation, unemployment insurance and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget⁴. The Judiciary pays its fringe benefit costs directly from Judiciary appropriations.

Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments on employees. 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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	7,033	7,334	4.3%	7,894	7.6%	8,286	5.0%	8,711	5.1%
Fringe Benefits	6,665	6,943	4.2%	7,498	8.0%	7,885	5.2%	8,305	5.3%
Health Insurance	3,319	3,451	4.0%	3,680	6.6%	3,880	5.4%	4,098	5.6%
Employee Health Insurance	2,091	2,174	4.0%	2,318	6.6%	2,444	5.4%	2,582	5.6%
Retiree Health Insurance	1,228	1,277	4.0%	1,362	6.7%	1,436	5.4%	1,516	5.6%
Pensions	2,130	2,219	4.2%	2,467	11.2%	2,660	7.8%	2,890	8.6%
Social Security	958	972	1.5%	987	1.5%	991	0.4%	995	0.4%
All Other Fringe	258	301	16.7%	364	20.9%	354	-2.7%	322	-9.0%
Fixed Costs	368	391	6.3%	396	1.3%	401	1.3%	406	1.2%

GSCs are projected to increase at an average annual rate of 5.5 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. Pension growth is driven by the recent implementation (September 2014) of new actuarial assumptions by the New York State and Local Retirement Systems' Actuary, and repayment of prior year amortization obligations -- partly offset by the expectation that a portion of future contributions will be amortized as permissible by law. The Financial Plan includes additional interest savings of approximately \$41 million over the prior year, which is expected to be generated by paying the full amount of the 2016 pension bill by July 31, 2015, rather than on a monthly basis or by the statutorily required date of March 1, 2016.

Growth in health insurance spending is attributable to rising costs associated with health care benefits; however, the FY 2016 Financial Plan includes downward adjustments to forecasted spending for health insurance, as a result of revised rate renewal growth assumptions.

⁴ Beginning in July 2015, SUNY TIAA-CREF and other SUNY fringe benefit costs will no longer be paid directly, but rather shift to the central statewide appropriation.

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 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
TOTAL TRANSFERS TO OTHER FUNDS	8,601	14,276	9,945	10,644	10,962
State Share of Mental Hygiene Medicaid	1,419	2,162	1,439	1,313	1,255
Debt Service	1,297	886	1,242	1,422	1,210
SUNY University Operations	980	998	978	969	969
Capital Projects	1,264	5,947	1,844	2,072	2,295
Dedicated Highway and Bridge Trust Fund	728	730	809	873	895
Dedicated Infrastructure Investment Fund	0	4,550	0	0	0
All Other Capital	536	667	1,035	1,199	1,400
ALL OTHER TRANSFERS	3,641	4,283	4,442	4,868	5,233
Mental Hygiene	2,504	2,975	3,152	3,577	3,873
Department of Transportation (MTA Payroll Tax)	331	335	335	336	336
SUNY - Medicaid Reimbursement	218	294	294	294	251
Judiciary Funds	117	107	107	107	107
SUNY - Hospital Operations	88	88	88	88	88
Dedicated Mass Transportation Trust Fund	63	63	63	63	63
Banking Services	32	52	54	55	55
Indigent Legal Services	33	35	35	35	35
Mass Transportation Operating Assistance	31	37	37	37	37
Alcoholic Beverage Control	20	20	20	20	20
Information Technology Services	14	8	2	2	2
Public Transportation Systems	16	15	15	15	15
Correctional Industries	12	11	11	11	11
All Other	162	243	229	228	340

A significant portion of the capital and operating expenses of the DOT and the Department of Motor Vehicles (DMV) are funded from DHBTF. The Fund receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and highway use taxes. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF because 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 \$14.3 billion in FY 2016, a \$5.7 billion increase from FY 2015, largely derived from the one-time transfer of \$4.6 billion in monetary settlement moneys to the DIIF. The funding will be used to make targeted investments in various areas, including the Thruway Stabilization and Upstate Revitalization programs. In addition, \$850 million in monetary settlement funds previously reserved for Financial Plan risk will be used to pay a portion of a \$1.95 billion in Federal Medicaid disallowances associated with OPWDD-operated treatment facilities. The remaining balance of the Medicaid disallowance repayments will be transferred in annual amounts of \$100 million for 11 years beginning in FY 2017.

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

DEBT SERVICE SPENDING PROJECTIONS									
(millions of dollars)									
	FY 2015	FY 2016		FY 2017		FY 2018		FY 2019	
	Results	Enacted	Change	Enacted	Change	Enacted	Change	Enacted	Change
General Fund	1,297	886	-31.7%	1,242	40.2%	1,422	14.5%	1,210	-14.9%
Other State Support	4,886	4,236	-13.3%	4,966	17.2%	5,277	6.3%	5,794	9.8%
State Operating/All Funds Total	6,183	5,122	-17.2%	6,208	21.2%	6,699	7.9%	7,004	4.6%

Total debt service is projected at \$5.1 billion in FY 2016, of which approximately \$886 million is paid from the General Fund through transfers, and \$4.2 billion from other State funds. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service is paid directly from other State funds, subject to appropriation, for the State's revenue bonds, including PIT and Sales Tax bonds, DHBTB bonds, and mental health facilities bonds.

Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including actual bond sale results to date, assumed debt management savings and increased debt service costs associated with enacted additional capital commitment levels. Also, FY 2016 debt service spending estimates assume the prepayment of \$100 million of debt service due during FY 2017. Debt service spending in FY 2015 reflects prepayments in excess of \$900 million due during FY 2016.

Financial Plan Tables

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

State Financial Plan Projections Fiscal Years 2016 Through 2019

CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2016 THROUGH FY 2019 (millions of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
	Enacted	Projected	Projected	Projected
Taxes:				
Withholdings	36,940	38,971	40,400	42,198
Estimated Payments	15,746	17,039	18,378	17,796
Final Payments	2,493	2,670	2,841	2,984
Other Payments	1,333	1,383	1,422	1,482
Gross Collections	<u>56,512</u>	<u>60,063</u>	<u>63,041</u>	<u>64,460</u>
State/City Offset	(588)	(588)	(588)	(588)
Refunds	(8,849)	(9,360)	(9,406)	(9,446)
Reported Tax Collections	<u>47,075</u>	<u>50,115</u>	<u>53,047</u>	<u>54,426</u>
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	<u>47,075</u>	<u>50,115</u>	<u>53,047</u>	<u>54,426</u>
Sales and Use Tax	13,532	14,067	14,618	15,212
Cigarette and Tobacco Taxes	1,220	1,226	1,187	1,148
Motor Fuel Tax	485	485	482	478
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	148	142	143	152
Auto Rental Tax	124	128	135	141
Taxicab Surcharge	85	85	85	85
Gross Utility Taxes and Fees	<u>15,850</u>	<u>16,394</u>	<u>16,916</u>	<u>17,487</u>
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	<u>15,850</u>	<u>16,394</u>	<u>16,916</u>	<u>17,487</u>
Corporation Franchise Tax	4,673	4,419	4,591	4,756
Corporation and Utilities Tax	794	811	815	835
Insurance Taxes	1,585	1,559	1,614	1,687
Bank Tax	(10)	203	190	143
Petroleum Business Tax	1,095	1,055	1,051	1,043
Business Taxes	<u>8,137</u>	<u>8,047</u>	<u>8,261</u>	<u>8,464</u>
Estate Tax	1,050	965	891	855
Real Estate Transfer Tax	1,085	1,138	1,176	1,221
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	<u>2,154</u>	<u>2,122</u>	<u>2,086</u>	<u>2,095</u>
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	<u>2,154</u>	<u>2,122</u>	<u>2,086</u>	<u>2,095</u>
Payroll Tax	<u>1,346</u>	<u>1,404</u>	<u>1,473</u>	<u>1,549</u>
Total Taxes	<u>74,562</u>	<u>78,082</u>	<u>81,783</u>	<u>84,021</u>
Licenses, Fees, Etc.	625	595	652	600
Abandoned Property	655	550	550	550
Motor Vehicle Fees	1,303	1,362	1,367	1,368
ABC License Fee	65	61	62	63
Reimbursements	269	263	253	262
Investment Income	4	4	5	5
Other Transactions	22,489	21,259	20,862	21,039
Miscellaneous Receipts	<u>25,410</u>	<u>24,094</u>	<u>23,751</u>	<u>23,887</u>
Federal Receipts	<u>51,396</u>	<u>51,553</u>	<u>52,012</u>	<u>52,202</u>
Total	<u>151,368</u>	<u>153,729</u>	<u>157,546</u>	<u>160,110</u>

Source: NYS DOB.

**CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)**

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,300	2,472	118	9,890
Receipts:				
Taxes	45,780	8,373	19,060	73,213
Miscellaneous Receipts	4,365	15,179	470	20,014
Federal Receipts	0	1	73	74
Total Receipts	<u>50,145</u>	<u>23,553</u>	<u>19,603</u>	<u>93,301</u>
Disbursements:				
Local Assistance Grants	44,356	18,949	0	63,305
Departmental Operations:				
Personal Service	6,079	6,789	0	12,868
Non-Personal Service	2,184	3,392	44	5,620
General State Charges	5,195	2,139	0	7,334
Debt Service	0	0	5,122	5,122
Capital Projects	0	1	0	1
Total Disbursements	<u>57,814</u>	<u>31,270</u>	<u>5,166</u>	<u>94,250</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	18,140	8,711	3,897	30,748
Transfers to Other Funds	(14,276)	(1,380)	(18,251)	(33,907)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>3,864</u>	<u>7,331</u>	<u>(14,354)</u>	<u>(3,159)</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(3,805)</u>	<u>(386)</u>	<u>83</u>	<u>(4,108)</u>
Closing Fund Balance	<u>3,495</u>	<u>2,086</u>	<u>201</u>	<u>5,782</u>
Intra-Fund Transfers Adjustment	0	486	0	486
Closing Balance with Intra-Fund Transfers	<u>3,495</u>	<u>2,572</u>	<u>201</u>	<u>6,268</u>

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
Receipts:				
Taxes	48,090	8,537	20,130	76,757
Miscellaneous Receipts	2,591	15,598	453	18,642
Federal Receipts	0	1	73	74
Total Receipts	<u>50,681</u>	<u>24,136</u>	<u>20,656</u>	<u>95,473</u>
Disbursements:				
Local Assistance Grants	46,783	18,976	0	65,759
Departmental Operations:				
Personal Service	6,049	6,785	0	12,834
Non-Personal Service	2,262	3,461	47	5,770
General State Charges	5,710	2,184	0	7,894
Debt Service	0	0	6,208	6,208
Capital Projects	0	3	0	3
Total Disbursements	<u>60,804</u>	<u>31,409</u>	<u>6,255</u>	<u>98,468</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	18,044	7,967	4,188	30,199
Transfers to Other Funds	(9,945)	(848)	(18,514)	(29,307)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>8,099</u>	<u>7,119</u>	<u>(14,326)</u>	<u>892</u>
Use (Reservation) of Fund Balance:				
Community Projects Fund	0	0	0	0
Prior-Term Labor Agreements	(30)	0	0	(30)
Monetary Settlements	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>(30)</u>	<u>0</u>	<u>0</u>	<u>(30)</u>
Adherence to 2% Spending Benchmark*	2,333	0	0	2,333
Net Surplus (Deficit)	<u>279</u>	<u>(154)</u>	<u>75</u>	<u>200</u>
Intra-Fund Transfers Adjustment	0	456	0	456
Net Surplus (Deficit) with Intra-Fund Transfers	<u>279</u>	<u>302</u>	<u>75</u>	<u>656</u>

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

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	50,595	8,702	21,160	80,457
Miscellaneous Receipts	2,353	15,814	453	18,620
Federal Receipts	0	1	73	74
Total Receipts	52,948	24,517	21,686	99,151
Disbursements:				
Local Assistance Grants	49,160	19,343	0	68,503
Departmental Operations:				
Personal Service	6,076	6,821	0	12,897
Non-Personal Service	2,488	3,484	47	6,019
General State Charges	6,032	2,254	0	8,286
Debt Service	0	0	6,699	6,699
Capital Projects	0	3	0	3
Total Disbursements	63,756	31,905	6,746	102,407
Other Financing Sources (Uses):				
Transfers from Other Funds	18,815	8,104	4,283	31,202
Transfers to Other Funds	(10,644)	(797)	(19,131)	(30,572)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,171	7,307	(14,848)	630
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(10)	0	0	(10)
Monetary Settlements	0	0	0	0
Total Use (Reservation) of Fund Balance	(10)	0	0	(10)
Adherence to 2% Spending Benchmark*	4,349	0	0	4,349
Net Surplus (Deficit)	1,702	(81)	92	1,713
Intra-Fund Transfers Adjustment	0	456	0	456
Net Surplus (Deficit) with Intra-Fund Transfers	1,702	375	92	2,169

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

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	51,975	8,886	21,829	82,690
Miscellaneous Receipts	2,212	15,929	452	18,593
Federal Receipts	0	1	73	74
Total Receipts	54,187	24,816	22,354	101,357
Disbursements:				
Local Assistance Grants	51,653	19,559	0	71,212
Departmental Operations:				
Personal Service	6,104	6,895	0	12,999
Non-Personal Service	2,302	3,562	47	5,911
General State Charges	6,349	2,362	0	8,711
Debt Service	0	0	7,004	7,004
Capital Projects	0	3	0	3
Total Disbursements	66,408	32,381	7,051	105,840
Other Financing Sources (Uses):				
Transfers from Other Funds	18,978	8,361	4,031	31,370
Transfers to Other Funds	(10,962)	(803)	(19,261)	(31,026)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,016	7,558	(15,230)	344
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(10)	0	0	(10)
Monetary Settlements	0	0	0	0
Total Use (Reservation) of Fund Balance	(10)	0	0	(10)
Adherence to 2% Spending Benchmark*	5,821	0	0	5,821
Net Surplus (Deficit)	1,606	(7)	73	1,672
Intra-Fund Transfers Adjustment	0	414	0	414
Net Surplus (Deficit) with Intra-Fund Transfers	1,606	407	73	2,086

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

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,300	2,661	(724)	118	9,355
Receipts:					
Taxes	45,780	8,373	1,349	19,060	74,562
Miscellaneous Receipts	4,365	15,276	5,299	470	25,410
Federal Receipts	0	49,627	1,696	73	51,396
Total Receipts	<u>50,145</u>	<u>73,276</u>	<u>8,344</u>	<u>19,603</u>	<u>151,368</u>
Disbursements:					
Local Assistance Grants	44,356	64,400	3,154	0	111,910
Departmental Operations:					
Personal Service	6,079	7,425	0	0	13,504
Non-Personal Service	2,184	4,586	0	44	6,814
General State Charges	5,195	2,445	0	0	7,640
Debt Service	0	0	0	5,122	5,122
Capital Projects	0	1	7,159	0	7,160
Total Disbursements	<u>57,814</u>	<u>78,857</u>	<u>10,313</u>	<u>5,166</u>	<u>152,150</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,140	8,747	6,237	3,897	37,021
Transfers to Other Funds	(14,276)	(3,058)	(1,515)	(18,251)	(37,100)
Bond and Note Proceeds	0	0	685	0	685
Net Other Financing Sources (Uses)	<u>3,864</u>	<u>5,689</u>	<u>5,407</u>	<u>(14,354)</u>	<u>606</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(3,805)</u>	<u>108</u>	<u>3,438</u>	<u>83</u>	<u>(176)</u>
Closing Fund Balance	3,495	2,769	2,714	201	9,179

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
Receipts:					
Taxes	48,090	8,537	1,325	20,130	78,082
Miscellaneous Receipts	2,591	15,709	5,341	453	24,094
Federal Receipts	0	49,850	1,630	73	51,553
Total Receipts	<u>50,681</u>	<u>74,096</u>	<u>8,296</u>	<u>20,656</u>	<u>153,729</u>
Disbursements:					
Local Assistance Grants	46,783	64,983	3,343	0	115,109
Departmental Operations:					
Personal Service	6,049	7,470	0	0	13,519
Non-Personal Service	2,262	4,422	0	47	6,731
General State Charges	5,710	2,503	0	0	8,213
Debt Service	0	0	0	6,208	6,208
Capital Projects	0	3	7,050	0	7,053
Total Disbursements	<u>60,804</u>	<u>79,381</u>	<u>10,393</u>	<u>6,255</u>	<u>156,833</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,044	7,967	2,126	4,188	32,325
Transfers to Other Funds	(9,945)	(2,370)	(1,574)	(18,514)	(32,403)
Bond and Note Proceeds	0	0	657	0	657
Net Other Financing Sources (Uses)	<u>8,099</u>	<u>5,597</u>	<u>1,209</u>	<u>(14,326)</u>	<u>579</u>
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	0	0
Prior-Term Labor Agreements	(30)	0	0	0	(30)
Monetary Settlements	0	0	0	0	0
Total Use (Reservation) of Fund Balance	<u>(30)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(30)</u>
Adherence to 2% Spending Benchmark*	2,333	0	0	0	2,333
Net Surplus (Deficit)	<u>279</u>	<u>312</u>	<u>(888)</u>	<u>75</u>	<u>(222)</u>

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

Source: NYS DOB.

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2018
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	50,595	8,702	1,326	21,160	81,783
Miscellaneous Receipts	2,353	15,925	5,020	453	23,751
Federal Receipts	0	50,322	1,617	73	52,012
Total Receipts	<u>52,948</u>	<u>74,949</u>	<u>7,963</u>	<u>21,686</u>	<u>157,546</u>
Disbursements:					
Local Assistance Grants	49,160	65,889	3,115	0	118,164
Departmental Operations:					
Personal Service	6,076	7,516	0	0	13,592
Non-Personal Service	2,488	4,488	0	47	7,023
General State Charges	6,032	2,578	0	0	8,610
Debt Service	0	0	0	6,699	6,699
Capital Projects	0	3	7,029	0	7,032
Total Disbursements	<u>63,756</u>	<u>80,474</u>	<u>10,144</u>	<u>6,746</u>	<u>161,120</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,815	8,104	2,303	4,283	33,505
Transfers to Other Funds	(10,644)	(2,194)	(1,614)	(19,131)	(33,583)
Bond and Note Proceeds	0	0	462	0	462
Net Other Financing Sources (Uses)	<u>8,171</u>	<u>5,910</u>	<u>1,151</u>	<u>(14,848)</u>	<u>384</u>
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(10)	0	0	0	(10)
Total Use (Reservation) of Fund Balance	<u>(10)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10)</u>
Adherence to 2% Spending Benchmark*	4,349	0	0	0	4,349
Net Surplus (Deficit)	<u>1,702</u>	<u>385</u>	<u>(1,030)</u>	<u>92</u>	<u>1,149</u>

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

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2019
(millions of dollars)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>All Funds Total</u>
Receipts:					
Taxes	51,975	8,886	1,331	21,829	84,021
Miscellaneous Receipts	2,212	16,040	5,183	452	23,887
Federal Receipts	0	50,531	1,598	73	52,202
Total Receipts	<u>54,187</u>	<u>75,457</u>	<u>8,112</u>	<u>22,354</u>	<u>160,110</u>
Disbursements:					
Local Assistance Grants	51,653	66,403	3,254	0	121,310
Departmental Operations:					
Personal Service	6,104	7,594	0	0	13,698
Non-Personal Service	2,302	4,582	0	47	6,931
General State Charges	6,349	2,690	0	0	9,039
Debt Service	0	0	0	7,004	7,004
Capital Projects	0	3	7,100	0	7,103
Total Disbursements	<u>66,408</u>	<u>81,272</u>	<u>10,354</u>	<u>7,051</u>	<u>165,085</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	18,978	8,361	2,528	4,031	33,898
Transfers to Other Funds	(10,962)	(2,140)	(1,623)	(19,261)	(33,986)
Bond and Note Proceeds	0	0	451	0	451
Net Other Financing Sources (Uses)	<u>8,016</u>	<u>6,221</u>	<u>1,356</u>	<u>(15,230)</u>	<u>363</u>
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(10)	0	0	0	(10)
Total Use (Reservation) of Fund Balance	<u>(10)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(10)</u>
Adherence to 2% Spending Benchmark*	5,821	0	0	0	5,821
Net Surplus (Deficit)	<u>1,606</u>	<u>406</u>	<u>(886)</u>	<u>73</u>	<u>1,199</u>

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

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2016
(dollars in millions)

	2015 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2016 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,300	10,377	8,547	9,180	7,462	7,215	9,407	7,811	5,115	7,254	8,501	8,486	7,300
RECEIPTS:													
Personal Income Tax	5,044	1,604	2,904	1,976	1,879	3,565	1,603	845	3,720	3,266	2,787	2,731	31,924
Consumption/Use Taxes	526	520	661	545	533	700	542	544	676	564	448	631	6,890
Business Taxes	208	6	987	117	84	1,027	116	86	954	136	94	2,082	5,897
Other Taxes	152	106	82	81	82	82	86	86	86	76	75	75	1,069
Total Taxes	5,930	2,236	4,634	2,719	2,578	5,374	2,347	1,561	5,436	4,042	3,404	5,519	45,780
Abandoned Property	0	0	0	0	5	55	15	135	20	35	85	305	655
ABC License Fee	6	6	5	6	6	6	6	5	5	4	5	5	65
Investment Income	0	0	0	0	0	0	0	0	0	0	2	2	4
Licenses, Fees, etc.	42	55	65	35	55	75	40	45	75	35	60	43	625
Motor Vehicle Fees	36	21	6	20	6	7	24	0	21	9	14	6	170
Reimbursements	4	14	45	5	20	45	5	15	45	10	15	46	269
Other Transactions	89	1,910	19	38	16	152	36	39	39	35	16	188	2,577
Total Miscellaneous Receipts	177	2,006	140	104	108	340	126	239	205	128	197	595	4,365
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,682	493	1,112	503	245	1,423	502	109	1,288	874	557	1,427	10,215
Tax in Excess of LGAC	234	67	475	244	198	322	247	249	313	255	3	160	2,767
Sales Tax Bond Fund	220	222	290	227	227	317	226	227	292	233	187	298	2,966
Real Estate Taxes in Excess of CW/CA Debt Service	80	70	70	71	78	76	79	75	79	90	74	52	894
All Other	15	295	8	1	1	147	6	1	48	36	207	533	1,298
Total Transfers from Other Funds	2,231	1,147	1,955	1,046	749	2,285	1,060	661	2,020	1,488	1,028	2,470	18,140
TOTAL RECEIPTS	8,338	5,389	6,729	3,869	3,435	7,999	3,533	2,461	7,661	5,658	4,629	8,584	68,285
DISBURSEMENTS:													
School Aid	535	2,755	2,030	198	666	1,753	1,123	1,670	1,733	468	584	6,557	20,072
Higher Education	18	43	776	161	141	208	362	60	235	54	362	555	2,975
All Other Education	18	526	23	120	81	450	119	43	201	36	48	521	2,186
Medicaid - DOH	1,231	1,112	915	1,150	1,106	1,017	1,117	1,156	680	1,086	991	669	12,230
Public Health	11	179	58	54	53	47	31	40	82	47	51	80	733
Mental Hygiene	3	1	289	1	1	277	1	1	319	12	69	210	1,184
Children and Families	39	123	258	75	75	278	75	75	278	102	100	276	1,754
Temporary & Disability Assistance	93	96	154	96	96	96	96	96	96	96	97	106	1,218
Transportation	0	25	0	0	25	0	0	25	22	0	15	1	113
Unrestricted Aid	1	13	391	2	2	104	9	2	188	2	3	68	785
All Other	3	21	144	41	41	(2)	48	110	113	209	190	188	1,106
Total Local Assistance Grants	1,952	4,894	5,038	1,898	2,287	4,228	2,981	3,278	3,947	2,112	2,510	9,231	44,356
Personal Service	554	451	456	580	454	454	522	454	608	496	492	558	6,079
Non-Personal Service	68	154	172	148	177	167	188	194	170	224	230	292	2,184
Total Departmental Operations	622	605	628	728	631	621	710	648	778	720	722	850	8,263
General State Charges	612	632	316	1,685	(56)	319	464	272	104	390	130	327	5,195
Debt Service	302	0	(22)	158	(3)	(70)	145	0	(2)	389	(19)	8	886
Capital Projects	73	216	(348)	383	206	419	218	171	472	396	941	2,800	5,947
State Share Medicaid	992	115	107	104	108	109	110	100	113	110	100	94	2,162
SUNY Operations	210	210	210	191	0	0	0	179	0	0	(1)	(1)	998
Other Purposes	498	547	167	440	509	181	501	509	110	294	261	266	4,283
Total Transfers to Other Funds	2,075	1,088	114	1,276	820	639	974	959	693	1,189	1,282	3,167	14,276
TOTAL DISBURSEMENTS	5,261	7,219	6,096	5,587	3,682	5,807	5,129	5,157	5,522	4,411	4,644	13,575	72,090
Excess/(Deficiency) of Receipts over Disbursements	3,077	(1,830)	633	(1,718)	(247)	2,192	(1,596)	(2,696)	2,139	1,247	(15)	(4,991)	(3,805)
CLOSING BALANCE	10,377	8,547	9,180	7,462	7,215	9,407	7,811	5,115	7,254	8,501	8,486	3,495	3,495

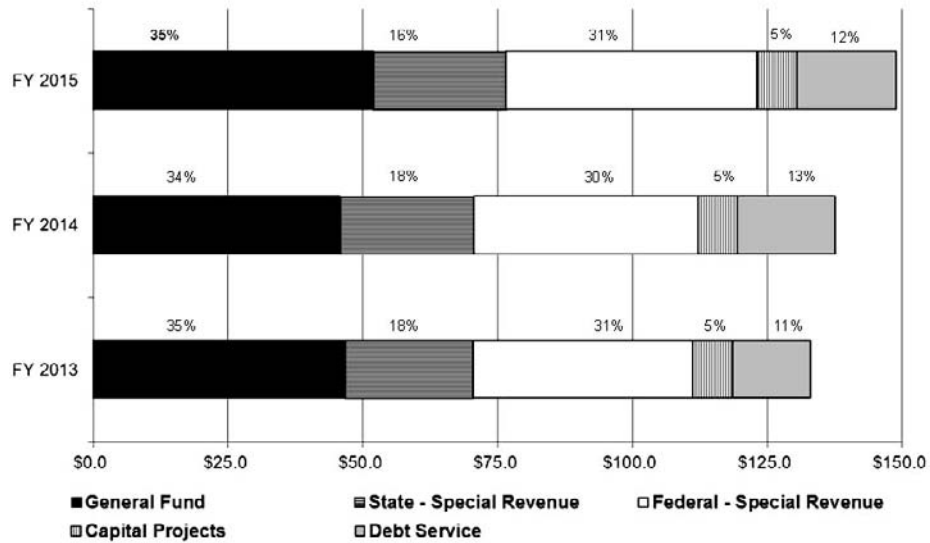
Source: NYS DOB.

Prior Fiscal Years

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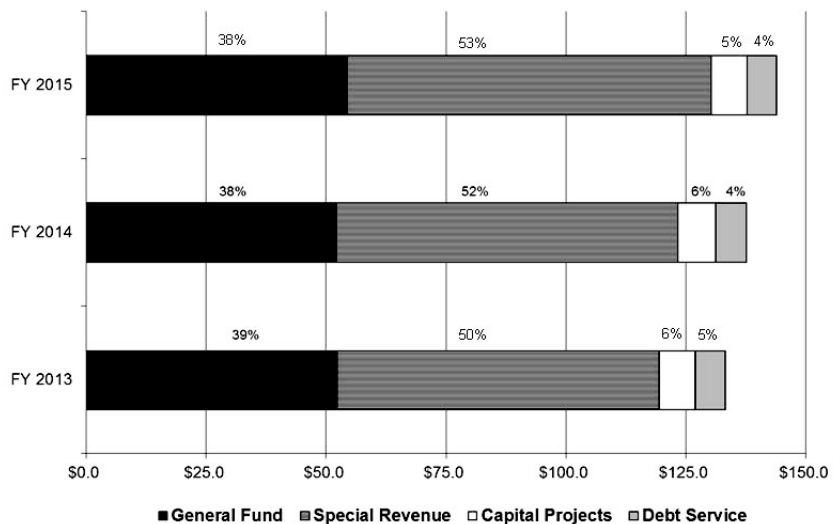
*The following six tables show the composition of the State’s governmental funds, State Operating Funds and the General Fund as of March 31, 2015. Following the tables is a summary of the cash-basis results for the State's three most recent fiscal years.

Governmental Funds Receipts
State Fiscal Years 2013, 2014 and 2015
 (billions of dollars)



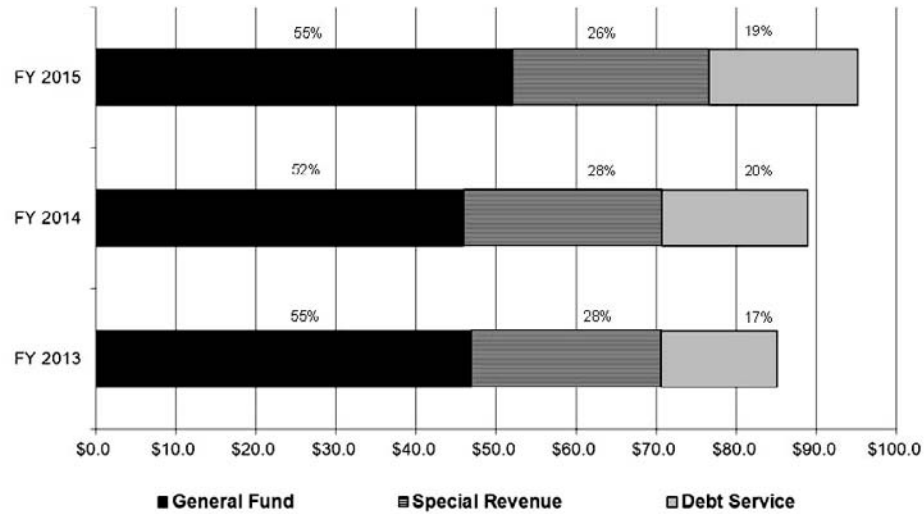
Note: Percentage total may not add due to rounding.

Governmental Funds Disbursements
State Fiscal Years 2013, 2014 and 2015
 (billions of dollars)



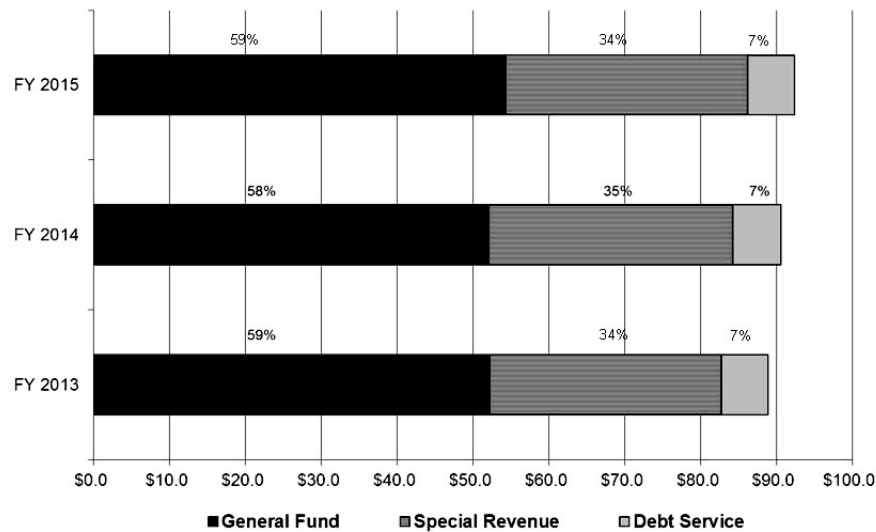
Note: Percentage total may not add due to rounding.

State Operating Funds Receipts
State Fiscal Years 2013, 2014 and 2015
(billions of dollars)



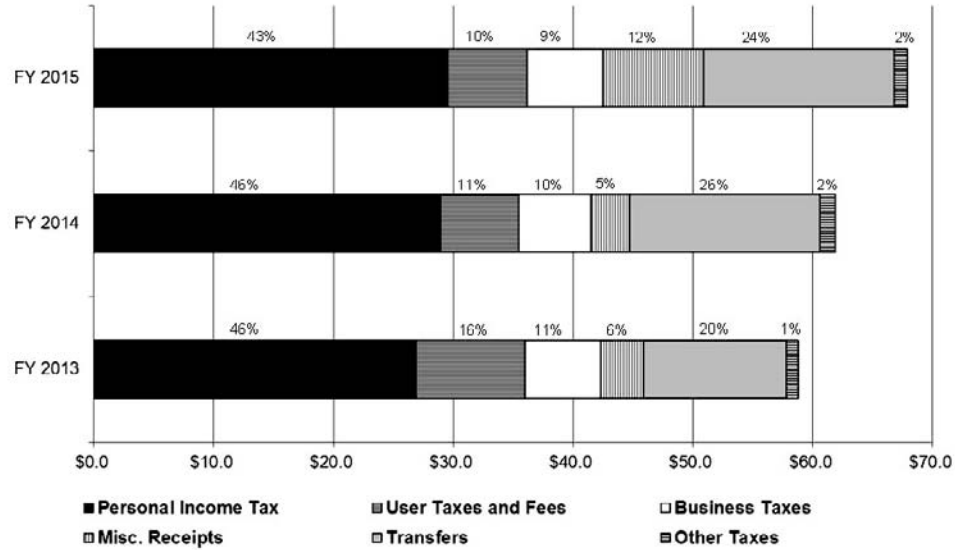
Note: Percentage total may not add due to rounding

State Operating Funds Disbursements
State Fiscal Years 2013, 2014 and 2015
(billions of dollars)



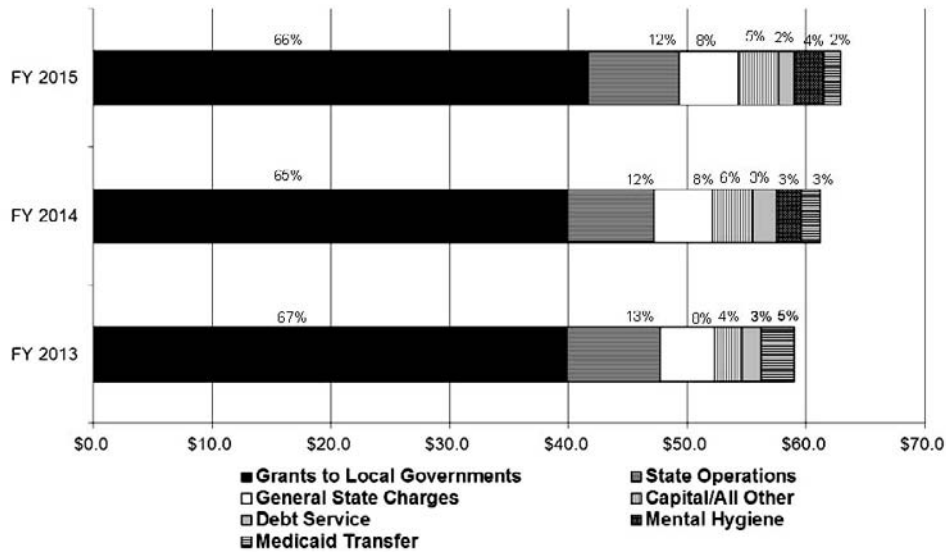
Note: Percentage total may not add due to rounding.

General Fund Receipts and Transfers by Source
State Fiscal Years 2013, 2014 and 2015
 (billions of dollars)



Note: Percentage total may not add due to rounding.

General Fund Disbursements and Transfers by Type
State Fiscal Years 2013, 2014 and 2015
 (billions of dollars)



Note: Percentage total may not add due to rounding.

The State reports its financial results on the cash basis of accounting, showing receipts and disbursements; and the GAAP basis (including modified accrual and full accrual), as prescribed by GAAP, showing revenues and expenditures. With the exception of FY 2015 financial results, the State's GAAP-basis financial results set forth in this section have been audited. Note that the FY 2015 financial results included in this AIS are preliminary and unaudited.

Cash-Basis Results for Prior Fiscal Years

General Fund FY 2013 Through FY 2015

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

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

Recent Trends

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

COMPARISON OF GENERAL FUND RECEIPTS AND DISBURSEMENTS			
FY 2013 THROUGH FY 2015			
(millions of dollars)			
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
OPENING FUND BALANCE	<u>1,787</u>	<u>1,610</u>	<u>2,235</u>
Personal Income Tax⁽¹⁾	26,884	28,864	29,485
Consumption/User Taxes:			
Sales and Use Tax ⁽²⁾	8,423	5,885	6,084
Cigarette and Tobacco Tax	443	426	356
Alcoholic Beverage Taxes	246	250	251
Subtotal	<u>9,112</u>	<u>6,561</u>	<u>6,691</u>
Business Taxes:			
Corporation Franchise Tax	2,624	3,245	2,990
Corporation and Utilities Taxes	686	615	577
Insurance Taxes	1,346	1,298	1,375
Bank Tax	1,597	888	1,323
Subtotal	<u>6,253</u>	<u>6,046</u>	<u>6,265</u>
Other Taxes:			
Estate and Gift Taxes	1,015	1,238	1,109
Pari-mutuel Tax	18	17	18
Other Taxes	1	1	1
Subtotal	<u>1,034</u>	<u>1,256</u>	<u>1,128</u>
Miscellaneous Receipts & Federal Grants	3,566	3,220	8,412
Transfers from Other Funds:			
PIT in excess of Revenue Bond debt service	8,328	8,822	8,659
Sales Tax in excess of Revenue Bond debt service	0	2,936	2,940
Sales Tax in Excess of LGAC Debt Service	2,416	2,568	2,632
All Other Transfers	1,190	1,595	1,709
Subtotal	<u>11,934</u>	<u>15,921</u>	<u>15,940</u>
TOTAL RECEIPTS	<u>58,783</u>	<u>61,868</u>	<u>67,921</u>
Grants to Local Governments:			
School Aid	17,110	17,238	18,415
Medicaid	11,110	11,487	11,677
All Other Local Aid	11,540	11,215	11,500
State Operations:			
Personal Service	6,130	5,563	5,806
Non-Personal Service	1,726	1,746	1,858
General State Charges	4,550	4,899	4,999
Transfers to Other Funds:			
In Support of Debt Service	1,647	1,971	1,297
In Support of Capital Projects	916	1,436	1,264
State Share Medicaid	2,846	1,576	1,419
Mental Hygiene Facilities ⁽³⁾	0	2,135	2,504
SUNY Operations ⁽⁴⁾	340	971	980
All Other Transfers	1,045	1,006	1,137
Subtotal	<u>6,794</u>	<u>9,095</u>	<u>8,601</u>
TOTAL DISBURSEMENTS	<u>58,960</u>	<u>61,243</u>	<u>62,856</u>
Excess (Deficiency) of Receipts and Other Financing Sources over Disbursements and Other Financing Uses	<u>(177)</u>	<u>625</u>	<u>5,065</u>
CLOSING FUND BALANCE	<u>1,610</u>	<u>2,235</u>	<u>7,300</u>

Sources: NYS Office of the State Comptroller, Financial Plan and Category Detail by NYS Division of the Budget.

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

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

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

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

FY 2015

The State ended FY 2015 in balance on a cash basis in the General Fund. Aside from variances due to the timing of monetary settlements, General Fund receipts and disbursements in FY 2015 were close to planned levels. The State made the maximum allowable deposit to its rainy day reserves at the close of the year.

General Fund receipts, including transfers from other funds, totaled \$67.9 billion in FY 2015, and increase of \$6.1 billion (9.8 percent) from the prior year, reflecting the one-time receipt of monetary settlements with financial institutions. General Fund tax receipts, including the transfer of tax receipts to the General Fund after payment of debt service, were \$886 million (1.5 percent) higher than in the prior fiscal year.

General Fund disbursements, including transfers to other funds, totaled \$62.9 billion in FY 2015, an increase of \$1.6 billion (2.6 percent).

FY 2014

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

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

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

FY 2013

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

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

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

State Operating Funds FY 2013 through FY 2015

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

FY 2015

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

FY 2014

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

FY 2013

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

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

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Opening Fund Balance*	2,235	2,489	65	4,789
Receipts:				
Taxes	43,569	8,193	17,899	69,661
Miscellaneous Receipts	8,410	16,381	510	25,301
Federal Receipts	2	0	73	75
Total Receipts	<u>51,981</u>	<u>24,574</u>	<u>18,482</u>	<u>95,037</u>
Disbursements:				
Local Assistance Grants	41,592	19,460	0	61,052
Departmental Operations:				
Personal Service	5,806	6,744	0	12,550
Non-Personal Service	1,858	3,710	39	5,607
General State Charges	4,999	2,034	0	7,033
Debt Service	0	0	6,183	6,183
Capital Projects	0	1	0	1
Total Disbursements	<u>54,255</u>	<u>31,949</u>	<u>6,222</u>	<u>92,426</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	15,940	7,767	4,681	28,388
Transfers to Other Funds	(8,601)	(871)	(16,888)	(26,360)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	<u>7,339</u>	<u>6,896</u>	<u>(12,207)</u>	<u>2,028</u>
Change in Fund Balance	<u>5,065</u>	<u>(479)</u>	<u>53</u>	<u>4,639</u>
Closing Fund Balance	<u>7,300</u>	<u>2,010</u>	<u>118</u>	<u>9,428</u>
Intra-Fund Transfers Adjustment	<u>0</u>	<u>462</u>	<u>0</u>	<u>462</u>
Closing Balance with Intra-Fund Transfers	<u>7,300</u>	<u>2,472</u>	<u>118</u>	<u>9,890</u>

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

Source: NYS DOB.

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

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

All Funds FY 2013 Through FY 2015

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

FY 2015

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

Through March 2015, All Funds spending increased by \$6.4 billion over the prior year, derived from a \$1.8 billion increase in State Operating Funds, a \$4.8 billion increase in Federal Operating Funds, and a \$204 million decrease in Capital Projects Funds. The increase in State Operating Funds spending is mainly due to \$1.6 billion in higher local assistance spending. The local assistance growth includes higher spending for education (\$1.3 billion) and health care (\$211 million). The \$368 million increase in operational spending is derived from growth in executive-controlled agencies (\$164 million), mainly attributable to the FY 2015 2 percent salary increase and higher correctional facility expenses, primarily overtime and inmate medical and prescription drug cost; higher fringe benefit costs (\$86 million); increased Judiciary spending (\$80 million); and higher SUNY spending (\$32 million). Lower debt service spending in FY 2015 is attributable to the continued practice of paying debt service obligations due in future years. The Federal Operating Funds spending increase is primarily attributable to \$5.2 billion in higher health care spending as a result of both expanded Medicaid coverage under the ACA, and DSRIP/IAAF payments associated with the recently approved Medicaid waiver. In addition, homeland security spending was \$437 million higher, due mainly to a lump-sum pass-through payment to LIPA. Spending declined in the areas of education (\$494 million), due to administrative delays in claims submitted by school districts (primarily New York City), and social welfare (\$213 million), mainly due to higher payments occurring in FY 2014. Lower Capital Projects spending occurred in the

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

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

FY 2014

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

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

Growth in local assistance spending was driven mainly by budgeted spending growth in the areas of Medicaid (\$363 million) and school aid (\$257 million); as well as for transit operating aid costs (\$419 million) based on the timing of available resources; and for higher education

spending (\$185 million) due to the timing of certain payments and increased support for CUNY fringe benefits. Partly offsetting the overall local spending growth was reduced annual costs associated with OPWDD-related Medicaid Payments (\$835 million), reflecting the shifting of certain program costs to DOH in order to be managed under the Global Cap, a shift which was integrated into the FY 2014 Enacted Budget in order to mitigate the impact of reduced Federal reimbursement rates for Medicaid eligible expenses incurred at OPWDD-operated facilities that went into effect April 1, 2013.

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

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

FY 2013

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

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

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

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

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

Source: NYS DOB.

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

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

GAAP-Basis Results for Prior Fiscal Years

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

The following table summarizes recent governmental funds results on a GAAP basis. The State expects to issue the Basic Financial Statements for FY 2015 by July 29, 2015.

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, 2014	172	806	369	(146)	1,201	(567)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)
March 31, 2012	137	56	80	346	619	(1,868)

SUMMARY OF NET POSITION (millions of dollars)			
Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2014	27,838	(841)	26,997
March 31, 2013	26,271	(922)	25,349
March 31, 2012	26,333	(658)	25,675

The CAFR can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (“EMMA”) system website at www.emma.msrb.org.

Economics and Demographics

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The demographic and statistical data in this section, which have been obtained from the sources indicated, do not represent all of the factors which may have a bearing on the State's fiscal and economic affairs. Further, such information requires economic and demographic analysis in order to assess its significance, and may be interpreted differently by individual experts. Note that DOB has chosen to provide certain economic and demographic analysis updated through the date of this AIS, although continuing disclosure requirements for this AIS require analysis only through March 31, 2015.

The U.S. Economy

National economic growth slowed to 0.2 percent in the first calendar year quarter of 2015, only 0.1 percent above the U.S. Bureau of Economic Analysis's (BEA) initial estimate for the first calendar year quarter of 2014. The latter quarter was ultimately revised down to a contraction of 2.1 percent. Once again, weather was a critical factor in restraining growth, but it was not the only one. Labor disputes at West Coast ports, a strengthening dollar, and the impact of low oil prices on the nation's domestic energy industry combined with a harsh winter to reduce the nation's rate of expansion. Although the port strike is over, its effects are expected to unwind slowly, while the stronger dollar and low energy prices are expected to linger. Thus, only a modest rebound is projected for the quarter now in progress. Growth is projected to accelerate to almost 3 percent in the second half of the year. As a result, DOB has revised down its estimate of real U.S. GDP growth for 2015 to 2.6 percent.

All of the factors listed above appear to be having a negative impact on the national labor market, which until recently had appeared to be exhibiting momentum. The private sector added only 94,000 jobs in March 2015, the weakest gain since June 2012, rebounding to a gain of 213,000 in April 2015. Consequently, DOB now projects weaker employment growth of 2.2 percent for 2015, as well as an unemployment rate that is marginally higher at 5.5 percent. Consistent with a much weaker first quarter and a moderately weaker labor market going forward, real household spending growth has been revised down to 3.1 percent. However, DOB still expects low energy prices to support improved household spending, after adjusting for inflation, over the remainder of the year.

Stronger household spending going forward should give private business added confidence to invest and hire in the future, but that boost will continue to be in part offset by the negative impact of falling oil prices on oil producers. That negative impact can be seen in the dramatic 50 percent decline in the U.S. oil rig count since last December. Although the overall impact on business investment is still expected to be positive over the longer term, the short-term impact is proving to be quite negative, with private business investment in structures falling 23.1 percent in the first quarter of calendar year 2015. West Coast port disruptions are likely to have hit business investment hard as well, with some supply-chain managers waiting three to six months for cargo to be unloaded, while others chose to reroute cargo to other ports despite having to pay higher costs. Both of these options likely resulted in delayed production and sales. Although the port strike ended in February, it could take until the second half of the year for the congestion to dissipate.

Another factor augmenting the negative pressures on business sales and investment is weaker-than-anticipated global demand. Since the recent sharp real appreciation of the dollar, export growth has weakened further. Adjusting for price changes, exports fell in five of the seven months ending in March 2015. Separate from the port strike and its effects on international trade, the global outlook remains uncertain as we await the impact of actions recently taken to stimulate the European and large East Asian economies. As a result, real U.S. export growth has been revised down to 2.3 percent for 2015, following 3.2 percent growth for 2014, while real growth in non-residential fixed investment has been revised down to 4.3 percent for 2015, following 6.3 percent growth for 2014.

Economic Indicators for the United States (calendar year)						
	2010	2011	2012	2013	2014	2015 ¹
Gross Domestic Product						
Nominal (\$ billions)	14,964.4	15,517.9	16,163.2	16,768.1	17,418.9	17,962.9
Percent Change	3.8	3.7	4.2	3.7	3.9	3.1
Real (\$ billions)	14,783.8	15,020.6	15,369.2	15,710.3	16,085.6	16,509.6
Percent Change	2.5	1.6	2.3	2.2	2.4	2.6
Personal Income						
(\$ billions)	12,429.4	13,202.0	13,887.7	14,166.9	14,728.6	15,374.0
Percent Change	2.8	6.2	5.2	2.0	4.0	4.4
Nonagricultural Employment						
(millions)	130.3	131.8	134.1	136.4	139.0	142.0
Percent Change	(0.7)	1.2	1.7	1.7	1.9	2.2
Unemployment Rate (%)	9.6	8.9	8.1	7.4	6.2	5.5
Consumer Price Index						
(1982-84=100)	218.1	224.9	229.6	233.0	236.7	236.7
Percent Change	1.6	3.1	2.1	1.5	1.6	0.0

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

¹As projected by the NYS DOB, based on National Income and Product Account data through March 2015.

The housing market rebounded somewhat after being hard hit by extreme winter weather last year. Housing starts exhibited monthly average growth of 3.5 percent over the second half of 2014, an improvement from a 1.8 percent decline over the first half of the year. But residential construction saw yet another slow start to the year, at least in part due to a virtual replay of last year's harsh weather. Indeed, the most recent data appear to show that housing starts during the first quarter of 2015 are even weaker than in the first quarter of 2014. As the weather improves, housing market growth should be supported by historically low (although rising) interest rates, along with improving non-interest lending terms and a strengthening labor market. However, few data are signaling a strong rebound in the housing market during 2015. Consequently, DOB has revised down its projection for real residential investment growth to 4.5 percent for 2015.

On balance, the boost from lower energy prices is expected to only partially compensate for the weakness of the global economy, a listless housing market, and continued slow wage growth. Without support from these critical sources, DOB continues to anticipate that annualized quarterly growth in real GDP will remain below 3 percent over the foreseeable future. Given weaker growth in the labor market and the overall economy, DOB expects the Federal Reserve to delay raising its short-term interest rate target until the second half of 2015. Concern over disinflation in the U.S. and abroad provides additional support for this expectation. The headline Consumer Price Index (CPI) fell 0.1 percent in the first quarter of 2015 on a year-ago basis, while core CPI inflation remained well below the Federal Reserve's 2 percent target. Domestic oil prices have risen above their March 2015 lows to about \$60 per barrel, but are expected to remain soft for the foreseeable future. DOB now estimates consumer price inflation of zero percent for 2015.

Although the DOB economic outlook calls for a continued strengthening of the nation's recovery, significant risks remain. In today's highly interdependent global economy, it is difficult to foresee domestic growth substantially accelerating without vigorous stimulus from exports. While the Euro-area economy is no longer contracting and the European Central Bank has embarked upon a round of quantitative easing, unemployment rates are still rising in some areas and uncertainty over the integrity of the monetary union lingers. A Euro-area recovery that is even more sluggish than expected will likely result in slower export and corporate profits growth than reflected in this forecast. Although energy prices are expected to remain low, a complex geopolitical situation could ignite renewed volatility, which, along with equity price volatility, represents a risk to household spending. In contrast, stronger global growth or lower than expected gasoline prices would result in stronger outcomes than projected. Finally, the response of global financial markets to the unwinding of central bank accommodation in the U.S. remains a risk, whether that process starts in September 2015 or later in the year, particularly given the lack of experience upon which to draw.

The New York Economy

The State's private sector labor market has continued to outperform expectations, with estimated growth for the 2014 calendar year incorporating upward revisions to employment in real estate services and construction; transportation and warehousing; financial services; professional and business services; and health care. Growth also remains strong in the tourism-related leisure and hospitality industries. Strong private sector growth of 2.2 percent is now estimated for 2014, with growth expected to decelerate to 1.6 percent in 2015 as the State's labor market expansion matures. The long-term decline in government employment also came to an end in the second half of 2014. As a result, total employment growth for 2014 is projected to be 1.8 percent, while the projected growth for 2015 is 1.4 percent.

Stronger than anticipated job growth for 2014 has resulted in upwardly revised wage growth of 6.3 percent. However, preliminary information suggests that fourth-quarter earnings and revenues for the finance sector are likely to have weighed heavily on bonus payouts for the 2014-15 bonus season. DOB has reduced estimated finance and insurance sector bonus growth to only 0.7 percent on a 2015 State fiscal year basis. Lower bonus payouts have resulted in

downward revisions to both total wages and personal income as well. In contrast, large volumes of IPO and merger and acquisition activity, along with strong real estate market growth, are estimated to have helped to propel growth in capital gains realizations well above 20 percent for the 2014 tax year.

The performance of the State's private-sector labor market continues to surprise on the upside, 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. Under regulatory and other pressures, the pattern of Wall Street bonus payouts has changed dramatically since the 2008-09 financial crisis, with payments now more widely dispersed across the year. In addition, taxable payouts can represent both current-year awards and deferred payments from prior year awards. Finally, the deferral ratio has also proven to be unstable. As a result, the uncertainty surrounding bonus projections continues to mount. Recent events also have demonstrated how sensitive financial markets can be to shifting expectations surrounding Federal Reserve policy. As the central bank moves closer to its first rate hike since June 2006, the resulting 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 weaker than we expect, both bonuses and taxable capital gains realizations could be negatively affected.

Economic Indicators for New York State (calendar year)					
	2011	2012	2013	2014	2015 ¹
Personal Income					
(\$ billions)	1,013.0	1,059.1	1,070.2	1,110.3	1,156.1
Percent Change	5.3	4.5	1.1	3.7	4.1
Nonagricultural Employment					
(thousands)	8,420.0	8,531.5	8,658.3	8,815.5	8,936.7
Percent Change	1.2	1.3	1.5	1.8	1.4
Unemployment Rate (%)	8.3	8.5	7.7	6.3	5.8

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

¹As projected by Division of the Budget, based on National Income and Product Account data and employment data available through March 2015.

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

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

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

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

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

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

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

The 2014 Composition of Nonagricultural Employment and Wages (Percent)				
	Employment		Wages	
	State	United States	State	United States
Natural Resources and Mining	0.1	0.6	0.1	1.4
Construction	3.7	4.4	3.9	4.8
Manufacturing	5.0	8.8	4.7	10.5
Trade, Transportation, and Utilities	17.1	19.0	12.4	15.8
Information	2.9	2.0	4.9	3.4
Financial Activities	7.6	5.7	20.5	9.2
Professional and Business Services	13.5	13.7	17.9	17.5
Educational and Health Services	20.3	15.4	14.1	13.3
Leisure and Hospitality	9.6	10.6	4.7	4.7
Other Services	4.3	4.0	2.9	3.2
Government	15.8	15.7	14.0	16.3

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

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

Economic and Demographic Trends

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

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

Comparative Population Figures					
	State			US	
	Total Population (000s)	% Change from Preceding Period	Percentage of U.S. Population	Total Population (000s)	% Change from Preceding Period
1960	16,782	13.2	9.4	179,323	18.5
1970	18,241	8.7	9.0	203,302	13.4
1980	17,558	(3.7)	7.8	226,546	11.4
1990	17,990	2.5	7.2	248,710	9.8
2000	18,976	5.5	6.7	281,422	13.2
2010	19,378	2.1	6.3	308,746	9.7
2014	19,746	1.9	6.2	318,857	3.3

Source: US Department of Commerce, Census Bureau.

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

Nonagricultural Employment and Unemployment Rate for New York and the United States					
	Employment (000s)		State as Percent of US Employment	Unemployment Rate (%)	
	State	US		State	US
1960	6,182	54,296	11.4	N/A	5.5
1970	7,156	71,006	10.1	N/A	4.9
1980	7,207	90,533	8.0	7.5	7.1
1990	8,203	109,527	7.5	5.3	5.6
2000	8,628	132,019	6.5	4.5	4.0
2010	8,558	130,275	6.6	8.6	9.6
2014	9,084	139,042	6.5	6.3	6.2

Source: US Department of Labor.
Note: Nonagricultural employment and unemployment rates are generated from separate surveys.

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

Per Capita Personal Income (Income in Dollars)			
	<u>NYS</u>	<u>US</u>	<u>NYS/US</u>
1960	2,868	2,323	1.23
1970	4,935	4,196	1.18
1980	10,994	10,150	1.08
1990	23,986	19,584	1.22
2000	35,307	30,587	1.15
2010	49,582	40,144	1.24
2014	56,231	46,129	1.22

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

Capital Program and Financing Plan

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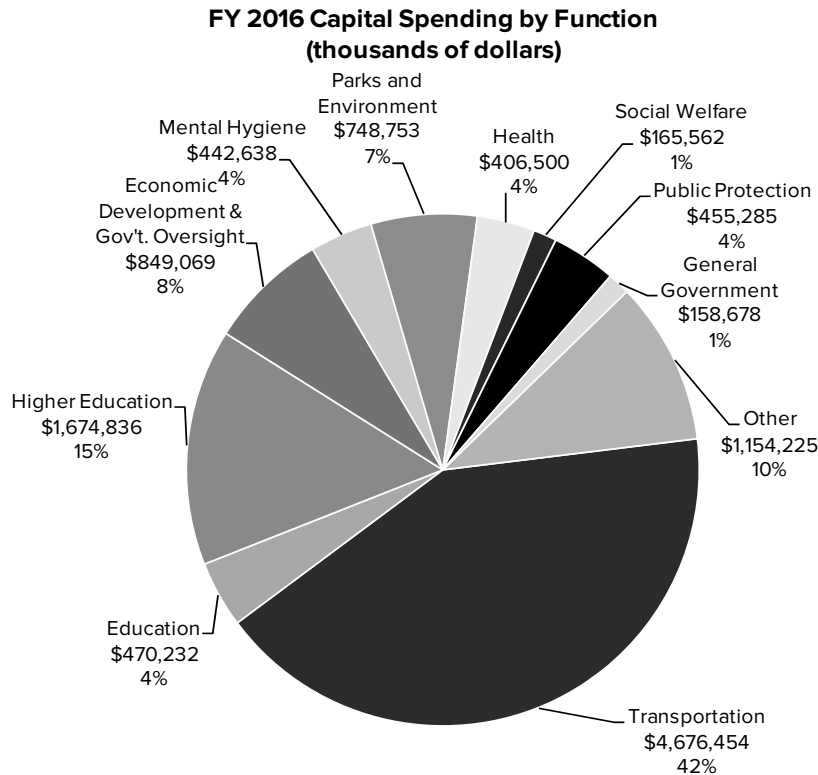
The DOB prepares a Multi-Year Capital Program and Financing Plan with the Executive Budget and updates it following enactment of the budget (the “Enacted Capital Plan”). The Enacted Capital Plan outlines the anticipated capital spending over a five-year period, the way it will be financed, the impact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

Capital Plan

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

FY 2016 Capital Projects Spending

Spending on capital projects is projected to total \$11.2 billion in FY 2016, which includes \$889 million in “off-budget spending” directly from the proceeds of bonds issued by public authorities. Overall, capital spending in FY 2016 is projected to increase by \$2.9 billion (35 percent) from FY 2015.



In FY 2016, transportation spending is projected to total \$4.7 billion, which represents 42 percent of total capital spending, with higher education comprising the next largest share at 15 percent. Economic development and government oversight spending represents 8 percent and spending for parks and the environment represents 7 percent. Other spending, including investments in the Special Infrastructure Account that will support a wide range of infrastructure projects throughout New York State, represents 10 percent. The remaining 18 percent is comprised of spending for mental hygiene, health, social welfare, public protection and all other capital programs.

Transportation spending is projected to increase by \$253 million (6 percent) in FY 2016 due to a variety of factors including increased State spending for existing MTA capital aid sources.

Parks and environment spending will increase by \$111 million (17 percent) in FY 2016 reflecting spending from additional capital authority provided in the State Parks Infrastructure Fund (SPIF), Hazardous Waste Remediation Fund, and Environmental Protection Fund (EPF); as well as the creation of the Drinking Water and Wastewater Infrastructure Fund.

Economic development and government oversight spending is projected to increase by \$339 million (67 percent). This spending reflects the continued implementation of programs created to promote regional economic development including spending for the Buffalo Billion initiative, Regional Economic Development Councils and SUNY and CUNY 2020 Challenge Grants, as well as spending associated with the Upstate Revitalization Initiative.

Spending for health care is projected to increase by \$289 million (246 percent). The increase is due to the inaugural grant awards for the Health Care Restructuring Program, expected in FY 2016, as well as the phase-in of spending related to the Health Care Facility Transformation Program.

Spending for social welfare is projected to increase by \$31 million (23 percent) due to continued spending at youth facilities and grants to nonprofit providers.

Education spending is projected to increase by \$411 million (694 percent) in FY 2016. The increase is due to spending from the Smart Schools Bond Act, which was approved by voters in November 2014.

Higher Education spending is projected to increase by \$213 million (15 percent). This growth is primarily driven by additional maintenance investments in senior and community college projects, as well as lower than expected spending in FY 2015 for CUNY.

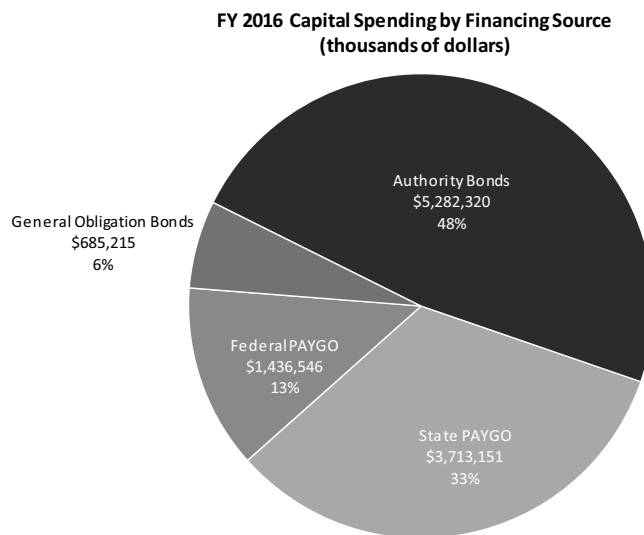
Spending increases of \$128 million (39 percent) for public protection primarily reflect the State's continued support for the statewide Interoperable Communications Program, investments in preparedness, as well as funding for equipment purchases for Division of State Police (DSP).

Mental hygiene capital spending is anticipated to increase by \$52 million (13 percent). The increase is primarily attributable to the reconstruction of the South Beach Psychiatric Center in Staten Island.

General government capital spending is projected to increase by \$10 million (7 percent), which is primarily attributable to costs associated with State technology projects and the Office of General Services (OGS) renovation of Building 5 at the Harriman State Campus in Albany.

Spending for agencies in the All Other category is projected to increase by \$1.1 billion (1,408 percent). The substantial increase is related to projected spending on Special Infrastructure Account investments, including a contribution to the ongoing construction of the New NY Bridge and other capital projects for the State Thruway.

Financing FY 2016 Capital Projects Spending



In FY 2016, the State plans to finance 54 percent of capital projects spending with long-term bonds, most of which will be issued on behalf of the State through public authorities (48 percent) and the remainder of which will be issued as General Obligation bonds (6 percent). Authority bonds do not include debt issued by authorities backed by their own non-State resources or on behalf of other public or private clients. Federal aid is expected to fund 13 percent of the State's FY 2016 capital spending, primarily for transportation. State cash resources, including financial settlement receipts, will finance the remaining 33 percent of capital spending. Year-to-year, total PAYGO support is projected to increase by \$1.1 billion, with State PAYGO increasing by \$1.5 billion and Federal PAYGO support decreasing by \$400 million. Bond-financed spending is projected to increase by \$1.8 billion.

Financing Plan

New York State is one of the largest issuers of municipal debt, ranking second among the states, behind California, in the amount of debt outstanding. The State ranks fifth in the U.S. in debt per capita, behind Connecticut, Massachusetts, Hawaii, and New Jersey. As of March 31, 2015, total State-related debt outstanding totaled \$54.2 billion excluding capital leases and mortgage loan

commitments, equal to approximately 4.9 percent of New York personal income. The State's debt levels are typically measured by DOB using two categories: *State-supported debt* and *State-related debt*.

State-supported debt represents obligations of the State that are paid from traditional State resources (i.e., tax revenue) and have a budgetary impact. It includes General Obligation debt, to which the full faith and credit of the State has been pledged, and lease purchase and contractual obligations of public authorities and municipalities, where the State's legal obligation to make payments to those public authorities and municipalities is subject to and paid from annual appropriations made by the Legislature. These include the State PIT Revenue Bond program and the State Sales Tax Revenue Bond program. Since 2002, the State has financed most of its capital program with PIT Revenue Bonds, a revenue bond program that has reduced its cost of borrowing and created efficiencies by permitting the consolidation of bond sales. Prior to 2002, the State had primarily financed its capital spending with lower-rated lease purchase and contractual service obligations of public authorities. The State expects to transition to using only three credits – General Obligation bonds, PIT Revenue Bonds, and Sales Tax Revenue Bonds, the latter of which was authorized in the FY 2014 Enacted Budget.

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

State-related debt is a broader measure of State debt which includes all debt that is reported in the State's GAAP-basis financial statements, except for unamortized premiums and accumulated accretion on capital appreciation bonds. These financial statements are audited by external independent auditors and published by OSC on an annual basis. The debt reported in the GAAP-basis financial statements includes General Obligation debt, other State-supported debt as defined in the State Finance Law, debt issued by the Tobacco Securitization Finance

Corporation, certain debt of the Municipal Bond Bank Agency (MBBA) issued to finance prior year school aid claims and capital leases and mortgage loan commitments. In addition, State-related debt reported by DOB includes State-guaranteed debt, moral obligation financings and certain contingent-contractual obligation financings, where debt service is paid from non-State sources in the first instance, but State appropriations are available to make payments if necessary. These numbers are not reported as debt in the State's GAAP-basis financial statements.

The State's debt does not encompass, and does not include, debt that is issued by, or on behalf of, local governments and secured (in whole or in part) by State local assistance aid payments. For example, certain State aid to public schools paid to school districts or New York City has been pledged by those local entities to help finance debt service for locally-sponsored and locally-determined financings. Additionally, certain of the State's public authorities issue debt supported by non-State resources (i.e., NYSTA toll revenue bonds, Triborough Bridge and Tunnel Authority (TBTA) or MTA revenue bonds or DASNY dormitory facilities revenue bonds) or issue debt on behalf of private clients (i.e., DASNY school district revenue bonds). This debt, however, is not treated by DOB as either State-supported debt or State-related debt because it (i) is not issued by the State (nor on behalf of the State), and (ii) does not result in a State obligation to pay debt service. Instead, this debt is accounted for in the respective financial statements of the local governments or other entity responsible for the issuance of such debt and is similarly treated.

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

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

OUTSTANDING STATE-SUPPORTED AND STATE-RELATED DEBT ¹

(millions of dollars)

	FY 2013	FY 2014	FY 2015
State-Supported Debt	52,535	52,460	51,867
Personal Income Tax Revenue Bonds	26,501	28,776	29,848
Sales Tax Revenue Bonds	0	960	1,998
General Obligation	3,524	3,191	3,018
Local Government Assistance Corporation	2,836	2,592	2,345
Service Contract & Lease Purchase	8,585	7,583	6,551
Other Revenue Bonds	11,089	9,358	8,107
Contingent-Contractual Obligation Financings	2,832	2,404	2,049
DASNY/MCCFA - Secured Hospital Program	421	351	304
Tobacco Settlement Financing Corporation	2,411	2,053	1,745
Moral Obligation Financings	13	7	2
Housing Finance Agency	11	7	2
MCCFA - Hospitals and Nursing Homes	2	0	0
Other State Financings	600	584	565
MBBA Prior Year School Aid Claims	294	281	263
Capital Leases ²	232	232	232
Mortgage Loan Commitments ²	74	71	70
State Guaranteed Debt			
Job Development Authority	15	12	9
TOTAL STATE-RELATED DEBT ³	55,995	55,467	54,492

Source: NYS DOB. Except Mortgage Loan Commitments which are taken from the CAFR for FY 2013 and FY 2014 Mortgage Loan Commitments and Capital Leases are estimated by DOB for FY 2015.

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

² FY 2013 Capital Leases and Mortgage Loan Commitments have been restated due to the implementation of GASB statement 61.

³ Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

State-Supported Debt Outstanding

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

State PIT Revenue Bond Program

Since 2002, the PIT Revenue Bond Program has been the primary financing vehicle used to fund the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the Fund equal the greater of (i) 25 percent of annual PIT receipts or (ii) \$6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of March 31, 2015, approximately \$29.8 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately \$3.9 billion annually over the next four years, PIT coverage is expected to decline from 3.9 times in FY 2016 to 3.3 times in FY 2019. The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTF Revenue Bond program will be issued under the PIT Revenue Bond program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with PIT Revenue bonds, but are not counted towards debt service coverage.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS				
FY 2016 THROUGH 2019				
(thousands of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
Projected RBTF Receipts	11,768,714	12,528,982	13,261,732	13,606,538
Projected New PIT Bonds Issuances	3,319,660	4,187,914	4,146,692	4,139,426
Projected Total PIT Bonds Outstanding	31,781,093	34,412,886	36,824,374	39,016,589
Projected Maximum Annual Debt Service	3,055,454	3,398,496	3,755,502	4,128,942
Projected PIT Coverage Ratio	3.9	3.7	3.5	3.3

Sales Tax Revenue Bond Program

Legislation included in the FY 2014 Enacted Budget created a new Sales Tax Revenue Bond program. This new bonding program replicates certain credit features of PIT and LGAC revenue bonds and is expected to continue to provide the State with increased efficiencies and a lower cost of borrowing.

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements are transferred to the State's General Fund.

The Sales Tax Revenue Bond Fund has appropriation-incentive and General Fund "reach back" features comparable to PIT and LGAC bonds. A "lock box" feature restricts transfers back to the General Fund in the event of non-appropriation or non-payment. In addition, in the event that sales tax revenues are insufficient to pay debt service, a "reach back" mechanism requires the State Comptroller to transfer moneys from the General Fund to meet debt service requirements.

The first Sales Tax Revenue Bonds were issued on October 24, 2013 and it is anticipated that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. As of March 31, 2015, \$2.0 billion of Sales Tax Revenue Bonds were outstanding. Assuming average issuances of approximately \$1.3 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 13.1 times in FY 2016 to 6.2 times in FY 2019, as shown in the following chart.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS				
FY 2016 THROUGH 2019				
(thousands of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
Projected Sales Tax Receipts	3,162,250	3,291,000	3,420,500	3,560,000
Projected New Sales Tax Revenue Bonds Issuances	1,214,136	1,250,560	1,288,077	1,326,720
Projected Total Sales Tax Revenue Bonds Outstanding	3,138,657	4,273,940	5,401,268	6,517,526
Projected Maximum Annual Debt Service	240,828	342,400	452,390	571,140
Projected Sales Tax Coverage Ratio	13.1	9.6	7.6	6.2

Also included in the FY 2014 Enacted Budget was legislation that authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance any capital purpose, including projects that were previously financed through the State's Mental Health Facilities Improvement

Revenue Bond program and the DHBTf program. This change allows the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State’s capital needs.

General Obligation Financings

With limited exceptions for emergencies, the State Constitution prohibits the State from undertaking a long-term General Obligation borrowing (i.e., borrowing for more than one year) unless it is authorized in a specific amount for a single work or purpose by the Legislature. There is no constitutional limitation on the amount of long-term General Obligation debt that may be so authorized and subsequently incurred by the State. However, the Debt Reform Act imposed statutory limitations on all new State-supported debt issued on and after April 1, 2000. The State Constitution provides that General Obligation bonds, which can be paid without an appropriation, must be paid in equal annual principal installments or installments that result in substantially level or declining debt service payments, mature within 40 years after issuance, and begin to amortize not more than one year after the issuance of such bonds. However, general obligation housing bonds must be paid within 50 years after issuance, with principal commencing no more than three years after issuance. The Debt Reform Act limits the maximum term of State-supported bonds, including General Obligation bonds, to 30 years, and the State currently has no bonds outstanding with a remaining final maturity that is more than 30 years.

General Obligation debt is currently authorized for transportation, environment, housing and education purposes. Transportation-related bonds are issued for State and local highway and bridge improvements, mass transportation, rail, aviation, canal, port and waterway programs and projects. Environmental bonds are issued to fund environmentally sensitive land acquisitions, air and water quality improvements, municipal non-hazardous waste landfill closures and hazardous waste site cleanup projects. Education-related bonds are issued to fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and communities in their school district and the purchase of classroom technology for use by students. Additionally, these bonds will enable long-term investments in full-day pre-kindergarten through the construction of new pre-kindergarten classroom space.

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

As of March 31, 2015, approximately \$3.0 billion of General Obligation bonds were outstanding. See “Exhibit B — State-Related Bond Authorizations” for information regarding the levels of authorized, authorized but unissued, and outstanding General Obligation debt by bond act.

The State Constitution permits the State to undertake short-term General Obligation borrowings without voter approval in anticipation of the receipt of (i) taxes and revenues, by issuing general obligation tax and revenue anticipation notes (TRANS), and (ii) proceeds from the sale of duly authorized but unissued General Obligation bonds, by issuing bond anticipation notes (BANs). General Obligation TRANS must mature within one year from their date of issuance and cannot be refunded or refinanced beyond such period. However, since 1990, the State's ability to issue general obligation TRANS that mature in the same State fiscal year in which they were issued has been limited due to the enactment of the fiscal reform program which created LGAC. BANs may only be issued for the purposes and within the amounts for which bonds may be issued pursuant to General Obligation authorizations, and must be paid from the proceeds of the sale of bonds in anticipation of which they were issued or from other sources within two years of the date of issuance or, in the case of BANs for housing purposes, within five years of the date of issuance. In order to provide flexibility within these maximum term limits, the State had previously used the BANs authorization to conduct a commercial paper program to fund disbursements eligible for General Obligation bond financing.

New York Local Government Assistance Corporation

In 1990, as part of a State fiscal reform program, legislation was enacted creating LGAC, a public benefit corporation empowered to issue long-term obligations to fund certain payments to local governments that had been traditionally funded through the State's annual issuance of general obligation TRANS that mature in the same State fiscal year that they are issued ("seasonal borrowing"). The legislation also dedicated revenues equal to one cent of the State's four cent sales and use tax to pay debt service on these bonds. As of July 1995, LGAC had issued State-supported bonds and notes to provide net proceeds of \$4.7 billion, completing the program. The issuance of these long-term obligations is amortized over a period of no more than 30 years from the dates of their original issuance, with the final debt service payment on April 1, 2025. As of March 31, 2015, approximately \$2.3 billion of LGAC bonds were outstanding.

The LGAC legislation eliminated seasonal borrowing except in cases where the Governor and the legislative leaders have certified the need for additional seasonal borrowing, based on emergency or extraordinary factors, or factors unanticipated at the time of adoption of the budget, and provide a schedule for eliminating it over time. Any seasonal borrowing is required by law to be eliminated by the fourth fiscal year after the limit was first exceeded (i.e., no seasonal borrowing in the fifth year). The provision limiting the State's seasonal borrowing practices was included as a covenant with LGAC's bondholders in the General Bond Resolution and General Subordinate Lien Bond Resolution authorizing such bonds. No restrictions were placed upon the State's ability to issue deficit TRANS (issued in one year and maturing in the following year).

The LGAC changes, as well as other changes in revenue and spending patterns, have allowed the State to meet its cash flow needs throughout the fiscal year without relying on seasonal borrowings. However, the State has taken extraordinary measures in the past to manage its cash flow, including payment deferrals and permitting the State to borrow from other funds of the State (i.e., non-General Fund) for a limited period.

Legislation enacted in 2003 requires LGAC to certify, in addition to its own cash needs, \$170 million annually to provide an incentive for the State to seek an annual appropriation to provide local assistance payments to New York City or its assignee. In May 2004, LGAC amended its General Bond Resolution and General Subordinate Lien Bond Resolution to make clear that any failure to certify or make payments to the City or its assignee has no impact on LGAC's own bondholders; and that if any such act or omission were to occur with respect to any bonds issued by The City of New York or its assignee, that act or omission would not constitute an event of default with respect to LGAC bonds. The Enacted Budget includes a local assistance appropriation of \$170 million from the Local Government Assistance Tax Fund to the City.

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

Prior to the 2002 commencement of the State's PIT Revenue Bond program, public authorities or municipalities issued other lease-purchase and contractual-obligation debt. These types of debt, where debt service is payable from moneys received from the State and is subject to annual State appropriation, are not general obligations of the State.

Debt service payable to certain public authorities from State appropriations for such lease-purchase and contractual obligation financings may be paid from general resources of the State or from dedicated tax and other sources (i.e., personal income taxes, motor vehicle and motor fuel related-taxes, and patient income). Although these financing arrangements involve a contractual agreement by the State to make payments to a public authority, municipality or other entity, the State's obligation to make such payments is expressly made subject to appropriation by the Legislature and the actual availability of money to the State for making the payments.

Legislation first enacted in FY 2011, and extended through FY 2017, authorizes the State to set aside moneys in reserve for debt service on general obligation, lease-purchase, and service contract bonds. Pursuant to a certificate filed by the Director of the Budget with the State Comptroller, the Comptroller is required to transfer from the General Fund such reserved amounts on a quarterly basis in advance of required debt service payment dates. The State currently has no plans to issue lease-purchase or other contractual-obligation financings.

Dedicated Highway and Bridge Trust Fund Bonds

DHBTF bonds were issued for State transportation purposes and are backed by dedicated motor fuel, gas and other transportation related taxes and fees, subject to appropriation. As of March 31, 2015, approximately \$5.5 billion of DHBTF bonds were outstanding. The State currently has no plans to issue additional DHBTF bonds.

Mental Health Facilities Improvement Bonds

Mental Health Facilities Improvement bonds were issued to support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OPWDD, and OASAS. As of March 31, 2015, approximately \$1.2 billion of Mental Health Facilities Improvement bonds were outstanding. The State currently has no plans to issue additional Mental Health Facilities Improvement bonds.

A major source of patient revenues for these bonds are Federal Medicaid payments for services delivered by OPWDD. Debt service coverage for FY 2016 is currently projected at approximately 8.6 times for existing Mental Health Facilities Improvements Revenue Bonds. As noted previously, the Federal CMS engaged the State regarding claims for services provided to individuals in developmental centers operated by OPWDD. In addition to the reduction in rates that commenced on April 1, 2013, on February 8, 2013, the U.S. Department of Health and Human Services Office of the Inspector General, at the direction of the Federal CMS, began a review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid

population in New York State-Operated Intermediate Care Facilities for Individuals with Developmental Disabilities (ICF/DD). As a result of this review, in July 2014, CMS issued the State a disallowance notification in the amount of \$1.26 billion. On March 20, 2015, the State and CMS entered into a settlement agreement that resolves the \$1.26 billion pending disallowance for FY 2011, and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State has adjusted and will continue to adjust the Federal/State share of future Medicaid costs to reimburse the Federal government \$850 million in April 2015, and \$100 million annually for each of the next 11 years beginning in FY 2017. The State used \$850 million in monetary settlement payments previously set aside for financial risks, to finance the FY 2016 cost of the Federal disallowance settlement.

SUNY Dormitory Facilities Bonds

Legislation enacted in 2013 changed the method of paying debt service on outstanding SUNY Dormitory Facilities Lease Revenue Bonds (the "Lease Revenue Bonds") and established a new revenue-based financing credit, the SUNY Dormitory Facilities Revenue Bonds (the "Facilities Revenue Bonds") to finance the SUNY residence hall program in the future. The Facilities Revenue Bonds, unlike the Lease Revenue Bonds, will not include a SUNY general obligation pledge, thereby eliminating any recourse to the State with respect to the payment of the Facilities Revenue Bonds. The legislation also provided for the assignment of the revenues derived from the use and occupancy of SUNY's dormitory facilities (the "Dormitory Facilities Revenues") for the payment of debt service on both the Lease Revenue Bonds and the Facilities Revenue Bonds from SUNY to DASNY. As a result, annual debt service on the outstanding Lease Revenue Bonds is no longer supported by a State appropriation, except under extraordinary circumstances (i.e., the generation of insufficient Dormitory Facilities Revenues implicating the need for SUNY payments from sources other than Dormitory Facilities Revenues for debt service on the Lease Revenue Bonds). DOB is not aware of such an extraordinary circumstance having ever occurred in the past and does not anticipate that it would occur in the future. However, since the outstanding Lease Revenue Bonds were incurred as State-supported debt, until these are defeased or are paid off to maturity, DOB will continue to count these bonds as outstanding State-supported debt for purposes of the Debt Reform Act caps and has included these bonds as State-supported debt in all figures, tables and charts in this AIS. In recognition of the fact that debt service payments on the Lease Revenue Bonds are no longer supported by an appropriation, the debt service payments on such Lease Revenue Bonds in the approximate annual amount of \$100 million is not included in State debt service payments reported in this AIS. Annual debt service related to the Lease Revenue Bonds was \$109 million in FY 2015. As of March 31, 2015, approximately \$1.2 billion of Lease Revenue Bonds were outstanding, which relate to projected annual debt service payments of \$109 million in FY 2016, \$106 million in FY 2017, \$101 million in FY 2018, and \$94 million in FY 2019.

State-Related Debt Outstanding

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

Contingent-Contractual Obligation Financing

Contingent-contractual debt, included in State-related debt, is debt where the State enters into a statutorily authorized contingent-contractual obligation via a service contract to pay debt service in the event there are shortfalls in revenues from other non-State resources pledged or otherwise available to pay the debt service. As with State-supported debt, except for General Obligation bonds, all payments are subject to annual appropriation. The bankruptcy and deteriorating financial conditions of certain hospitals in the Secured Hospitals Program (described below) resulted in the State paying approximately \$24 million of debt service payments in FY 2015.

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to issue debt. The contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by the New York State Medical Care Facilities Financing Agency (MCFFA) and by DASNY through the Secured Hospital Program. In the event there are shortfalls in revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds, the State is liable for the debt service. As of March 31, 2015, there was approximately \$304 million of bonds outstanding for this program. See “Financial Plan Overview — Other Matters Affecting the Financial Plan — Secured Hospital Program” for more information.

Tobacco Settlement Financing Corporation (TSFC)

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments through the TSFC, a corporation created under the legislation that is a subsidiary of the MBBA, through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To reduce the chance that the State’s contractual payments will be required in the event that tobacco receipts and bond reserves are not sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bond stress tests. The \$4.2 billion of upfront payments received by the State from the securitization were used to help restore State budget balance in FY 2004 (\$3.8 billion) and FY 2005 (\$400 million).

The bonds carry a final nominal maturity of 19 years and have an expected final maturity of 13 years, based on optional redemptions (i.e., an expected final maturity in calendar year 2018). The

expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have made reduced payments annually starting in 2006 to states and territories, or have deposited payments into a special disputed payments account. The amounts deposited into the special disputed payments account have been on average ten percent of annual tobacco settlement payments due to the State, and it is expected that reduced payments will continue in the future. On September 11, 2013, an arbitration panel found that the State was “diligent” in enforcing its qualifying statute relating to the first payment that was withheld. As a result of the arbitration decision, the State received approximately \$50 million in April 2014. Arbitration proceedings have not been started for the following years and no assurance can be made as to the outcome of future proceedings. See “Litigation and Arbitration — Tobacco Master Settlement Agreement (MSA)” for more information. As of March 31, 2015, approximately \$1.7 billion of TSFC bonds were outstanding. DOB does not anticipate that the State will be called upon to make any payment, pursuant to the contingency contract, in FY 2016.

Moral Obligation Financings

Moral obligation financing generally involves the issuance of debt by a public authority to finance a revenue producing project or other activity. The debt is secured, in the first instance, by project revenues, but includes statutory provisions requiring the State, subject to appropriation by the Legislature, to make up any deficiencies which may occur in the issuer’s debt service reserve fund. There has never been a payment default on any moral obligation debt of any public authority. DOB does not expect the State to increase statutory authorizations for moral obligation bond programs. From 1976 through 1987, the State was called upon to appropriate and make payments totaling \$162.8 million to make up deficiencies in the debt service reserve funds of HFA pursuant to moral obligation provisions. In the same period, the State also expended additional funds to assist the Project Finance Agency, Urban Development Corporation (UDC) and other public authorities which had moral obligation debt outstanding. The State has not been called upon to make any payments pursuant to any moral obligations since FY 1987 and no such requirements are anticipated during FY 2016.

State-Guaranteed Financings

Pursuant to specific constitutional authorization, the State may also directly guarantee certain public authority obligations. Payments of debt service on State guaranteed bonds and notes are legally enforceable obligations of the State. The only current authorization provides for the State guarantee of the repayment of certain borrowings for designated projects of the New York State Job Development Authority (JDA). The State has never been called upon to make any direct payments pursuant to any such guarantees.

Due to concerns regarding the economic viability of its programs, JDA’s loan and loan guarantee activities were suspended in 1995. JDA resumed its lending activities in 1997 under a revised set of lending programs and underwriting guidelines. In April 2004, JDA issued approximately \$42 million of State-guaranteed bonds to refinance certain of its outstanding bonds and notes in

order to restructure and improve JDA's capital finances. As of March 31, 2015, JDA had approximately \$9 million of bonds outstanding. DOB does not anticipate that the State will be called upon to make any payments pursuant to the State guarantee in FY 2016.

Other State Financings

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

Borrowing Plan

STATE DEBT ISSUANCES BY FINANCING PROGRAM					
(millions of dollars)					
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Personal Income Tax Revenue Bonds	2,039	3,320	4,188	4,147	4,139
Sales Tax Revenue Bonds	1,059	1,214	1,251	1,288	1,327
General Obligation Bonds	148	685	654	452	443
Total Issuances	<u>3,246</u>	<u>5,219</u>	<u>6,093</u>	<u>5,887</u>	<u>5,909</u>
Source: NYS DOB.					

Debt issuances totaling \$5.2 billion are planned to finance new capital project spending in FY 2016, an increase of \$2.0 billion (61 percent) from FY 2015, which increase is attributable to a delay in capital spending from FY 2015 until FY 2016. In addition, large capital programs for healthcare and the Smart Schools Bond Act are expected to begin spending in FY 2016. It is anticipated that the State will finance capital projects through PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds in FY 2016. PIT and Sales Tax issuances are expected to include capital projects previously financed through the DHBTB Bonds credit and Mental Health Facilities Improvement Revenue Bonds credit.

The bond issuances are expected to finance capital commitments for transportation infrastructure (\$1.4 billion), education (\$1.7 billion), mental hygiene and health care facilities (\$600 million), economic development (\$844 million), the environment (\$268 million), and State facilities and equipment (\$345 million).

Over the next four years, new debt issuances are projected to total \$23.1 billion. New issuances are primarily for transportation infrastructure (\$6.3 billion), education facilities (\$7.7 billion), economic development (\$3.7 billion), the environment (\$1.2 billion), mental hygiene and health care facilities (\$2.7 billion), and State facilities and equipment (\$1.5 billion).

The State expects to finance all of its bond-financed capital needs in FY 2016 through only three highly-rated programs – PIT Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation bonds. Assuming an issuance plan consistent with the prior table, the State projects debt outstanding levels through FY 2019 to be as follows:

PROJECTED DEBT OUTSTANDING BY CREDIT (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Personal Income Tax Revenue Bonds	29,848	31,781	34,413	36,824	39,017
Sales Tax Revenue Bonds	1,998	3,139	4,274	5,401	6,518
General Obligation Bonds	3,018	3,418	3,768	3,924	4,095
Local Government Assistance Corp.	2,345	2,058	1,758	1,466	1,241
Other Revenue Bonds	8,107	7,385	6,665	5,974	5,295
Service Contract & Lease Purchase	6,551	5,663	4,879	3,992	3,279
TOTAL STATE-SUPPORTED	51,867	53,444	55,757	57,581	59,444

Source: NYS DOB.

State-Related Debt Service Requirements

The following table presents the current and projected debt service (principal and interest) requirements on State-related debt. State-related debt service is projected at \$5.7 billion in FY 2016, a decrease of \$1.0 billion (15 percent) from FY 2015. This is due, in large part, to debt service prepayments which result in higher debt service requirements in FY 2015, when the payments occurred, and lower debt service costs in FY 2016. The State is contractually required to make debt service payments prior to bondholder payment dates in most instances, and may also elect to make payments earlier than contractually required. In FY 2016 and beyond, the State expects to use three principal bonding programs -- Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and General Obligation Bonds -- to fund all bond-financed capital spending. Other bonding programs are expected to be phased out over time.

ESTIMATED DEBT SERVICE REQUIREMENTS ON STATE-RELATED DEBT BY CREDIT STRUCTURE ¹ (millions of dollars)						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total
Personal Income Tax Revenue Bonds	3,059	2,461	3,158	3,490	3,858	16,027
Sales Tax Revenue Bonds	87	196	292	397	512	1,483
General Obligation Bonds	436	414	452	463	452	2,216
Local Government Assistance Corporation	391	392	371	289	394	1,837
Other State-Supported Bonds	2,185	1,635	1,909	2,046	1,773	9,548
Tobacco Bonds ²	400	447	399	398	248	1,893
All Other State-Related Bonds ³	93	108	95	83	80	460
Total Debt Service	6,652	5,653	6,676	7,166	7,317	33,465

Source: NYS DOB.

¹ Reflects existing debt service on debt issued as of March 31, 2015 and projected debt service on assumed new debt issuances. Estimated debt service requirements are calculated based on swap rates in effect for all bonds that were synthetically fixed under an interest rate exchange agreement. Debt service requirements for variable rate bonds for which there are no related interest rate exchange agreements were calculated at assumed rates.

² Estimated debt service numbers are based on available information as of March 31, 2015. Since 2006, certain monies expected to flow to the State under the Master Settlement Agreement have been withheld and placed in a Dispute Payment Account. Pending the outcome of a resolution between participating manufacturers and the states, the debt service numbers will be adjusted accordingly.

³ Excludes Mortgage Loan Commitments and Capital Leases.

Interest Rate Exchange Agreements and Net Variable Rate Obligations

Chapter 81 of the Laws of 2002 authorized issuers of State-supported debt to issue a limited amount of variable rate debt instruments and to enter into a limited amount of interest rate exchange agreements. The current limit on debt instruments which result in a net variable rate exposure (i.e., both variable rate debt and interest rate exchange agreements) is no more than 15 percent of total outstanding State-supported debt. Interest rate exchange agreements are also limited to a total notional amount of no more than 15 percent of total outstanding State-supported debt. The outstanding State-supported debt of \$51.9 billion as of March 31, 2015 results in a cap on variable rate exposure and a cap on interest rate exchange agreements of about \$8 billion each (15 percent of total outstanding State-supported debt). As discussed below, as of March 31, 2015, both the amount of outstanding variable rate debt instruments and interest rate exchange agreements were less than the authorized totals of 15 percent of total outstanding State-supported debt.

Interest Rate Exchange Agreements

As of March 31, 2015, the State's Authorized issuers have a notional amount of \$1.9 billion in interest rate exchange agreements. The following table shows the amount of outstanding interest rate exchange agreements which are subject to the statutory cap. Overall, the State's swap exposure is expected to decline from 3.7 percent in FY 2015 to 2.5 percent in FY 2019.

INTEREST RATE EXCHANGE CAP (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Interest Rate Exchange Cap	7,780	8,017	8,363	8,637	8,917
Notional Amounts of Interest Rate Exchange Agreements	1,926	1,818	1,682	1,547	1,457
Percent of Interest Rate Exchange Agreements to Debt Outstanding	3.7%	3.4%	3.0%	2.7%	2.5%

Currently the State's swaps portfolio is comprised of synthetic fixed rate swaps. A synthetic fixed swap includes two separate transactions: (1) a variable rate bond is sold to bondholders, and (2) an interest rate exchange agreement between the State and a counterparty is executed. The interest rate exchange agreement results in the State paying a fixed interest rate (i.e., synthetic fixed rate) to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of the London InterBank Offered Rate (LIBOR) for all State swaps). If the variable rate the State pays to bondholders and the variable rate the State is receiving from the counterparty offset each other, the State is left with the synthetic fixed rate payment. The two variable rate components do not always precisely offset each other, which may result in an amount owed by the State in addition to the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at the time of issuance.

The State has no plans to increase its swap exposure.

Net Variable Rate Obligations

The State's net variable rate exposure (including a policy reserve) is projected to average 1.4 percent of outstanding debt from FY 2015 through FY 2019. The debt that is charged against the variable rate cap represents the State's unhedged variable rate bonds. The variable rate bonds that are issued in connection with a swap - \$1.9 billion - are not included in the variable rate cap, as discussed previously in the "Interest Rate Exchange Agreements" section.

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under its 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

VARIABLE RATE EXPOSURE					
(millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Variable Rate Exposure Cap	7,780	8,017	8,363	8,637	8,917
Current Unhedged Variable Rate Obligations	193	182	173	161	150
Synthetic Variable Rate Swaps	0	0	0	0	0
Total Net Variable Rate Exposure	193	182	173	161	150
Net Variable Rate Exposure to Debt Outstanding	0.4%	0.3%	0.3%	0.3%	0.3%
Current Policy Reserve for LIBOR Swaps	674	636	589	541	510
Net Variable Rate Exposure (with Policy Reserve)	867	818	761	702	660
Net Variable Rate Exposure (with Policy Reserve) to Debt Outstanding	1.7%	1.5%	1.4%	1.2%	1.1%

The State has no plans to issue additional variable rate debt at this time.

State Bond Caps and Debt Outstanding

Bond caps are legal authorizations to issue bonds to finance the State's capital projects. The caps can authorize bond financing of capital appropriations. As the bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory cap to the level necessary to meet the bondable capital needs, as permitted by a single or multi-year appropriation. In the FY 2016 Enacted Budget, statutory bond authorizations on State-supported debt were raised by \$7.5 billion across multiple programmatic purposes. The bonded indebtedness (and related capital spending) from the new authorizations is expected to occur over many years, and is counted against the State's statutory debt caps only when bonds are actually issued.

Debt authorizations for capital programs are either approved or enacted at one time, expected to be fully issued over time, or enacted annually by the Legislature and are usually consistent with bondable capital projects appropriations. Authorization does not, however, indicate intent to sell bonds for the entire amount of those authorizations, because capital appropriations often include projects that do not materialize or are financed from other sources. The amount of bonds authorized may be increased or decreased from time to time by the Legislature. In the case of General Obligation debt, increases in the authorization must be approved by the voters. See "Exhibit B — State-Related Bond Authorizations" herein for additional information.

For More Information

Additional information on the State's debt portfolio is available on DOB's public website (www.budget.ny.gov). The Investor's Guide section of the site contains information on New York State bonds including: the State's bond issuance schedule which is updated periodically; swap and variable rate capacity reports; variable rate trading activity; and State PIT Revenue Bond and Sales Tax Revenue Bond debt service and debt outstanding.

Authorities and Localities

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Public Authorities

For the purposes of this section, “authorities” refer to public benefit corporations or public authorities, created pursuant to State law, which are reported in the State’s CAFR. Authorities are not subject to the constitutional restrictions on the incurrence of debt that apply to the State itself and 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, 2014 (with respect to Job Development Authority or “JDA” as of March 31, 2014), 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 \$178 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, 2014⁽²⁾			
(millions of dollars)			
Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority ⁽³⁾	26,505	19,946	46,451
Metropolitan Transportation Authority	287	25,480	25,767
Port Authority of NY & NJ	0	23,085	23,085
Thruway Authority	8,728	5,021	13,749
Housing Finance Agency	616	12,927	13,543
UDC/ESD	11,566	854	12,420
Triborough Bridge and Tunnel Authority	0	8,396	8,396
Long Island Power Authority ⁽⁴⁾	0	7,569	7,569
Job Development Authority ⁽²⁾	12	7,111	7,123
Environmental Facilities Corporation	577	5,849	6,426
Energy Research and Development Authority	0	3,400	3,400
State of New York Mortgage Agency	0	2,554	2,554
Local Government Assistance Corporation	2,345	0	2,345
Tobacco Settlement Financing Corporation	1,745	0	1,745
Power Authority	0	1,597	1,597
Battery Park City Authority	0	1,035	1,035
Municipal Bond Bank Agency	263	263	526
Niagara Frontier Transportation Authority	0	131	131
Bridge Authority	0	110	110
TOTAL OUTSTANDING	52,644	125,328	177,972

Source: Office of the State Comptroller. 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, 2014. This includes \$7 billion in conduit debt issued by JDA's blended component units consisting of \$6.6 billion issued by New York Liberty Development Corporation (\$1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ) and \$511 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has \$12 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 \$1.93 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

Localities

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities, while one of the largest disbursement categories in the State budget, is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Scott Nemecek, Investor Relations, (212) 788-6499, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY AND RELATED ENTITIES ⁽¹⁾								
AS OF JUNE 30 OF EACH YEAR								
(millions of dollars)								
Year	General Obligation Bonds	Obligations of TFA ⁽¹⁾	Obligations of STAR Corp. ⁽²⁾	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other ⁽³⁾ Obligations	Treasury Obligations	Total
2005	33,903	12,977	2,552	1,283	0	3,745	(39)	54,421
2006	35,844	12,233	2,470	1,334	0	3,500	0	55,381
2007	34,506	14,607	2,368	1,317	2,100	3,394	0	58,292
2008	36,100	14,828	2,339	1,297	2,067	2,556	0	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	0	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	0	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	0	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	0	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	0	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	0	81,240

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the STARC by the Mayor of the City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

The staffs of the Financial Control Board for the City of New York (“FCB”), the Office of the State Deputy Comptroller (“OSDC”), the City Comptroller and the Independent Budget Office issue periodic reports on the City’s financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. Between 2004 and June 2014, the State Legislature passed 25 special acts authorizing, or amending authorizations for, bond issuances to finance local government operating deficits, most recently for Rockland County, the Cities of Long Beach, Yonkers and Lockport. When local governments are authorized to issue bonds to finance operating deficits, the local government generally is subject to certain additional fiscal oversight during the time the bonds are outstanding, including an annual budget review by OSC. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

The Buffalo Fiscal Stability Authority exercised Control Period powers with respect to the City of Buffalo since the City’s 2004 fiscal year, but transitioned to Advisory Period powers commencing on July 1, 2012.

In January 2011, the Nassau County Interim Finance Authority (“NIFA”) declared that it was entering a Control Period, citing the “substantial likelihood and imminence” that Nassau County would incur a major operating funds deficit of 1 percent or more during the County’s 2011 fiscal year. Nassau County challenged NIFA’s determination and authority to impose a Control Period in State Supreme Court but did not prevail. NIFA is now exercising Control Period powers over Nassau County.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State’s receipts and disbursements for the State’s FY 2014 or thereafter.

The City of Yonkers (the “City”) no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District (the “School District”) is fiscally dependent upon the City as it lacks taxing authority. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated

shortfall in available funds for operation of the School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorized the City, subject to certain requirements, to issue serial bonds, not to exceed \$45 million by March 31, 2015, to liquidate current deficits in the School District's general fund as of June 30, 2014. The FY 2015 Enacted Budget also provided \$28 million to the City for the support of the School District for the City fiscal year 2015, subject to an Inter-Municipal Agreement being entered into by the City and the School District, with the approval of the State Budget Director. That agreement has been entered into and approved, and consolidates various non-academic District functions under the general management and direction of the City. In July 2014, the City of Yonkers filed suit challenging the constitutionality of the provisions of the Yonkers City School District Deficit Financing Act that require the City Council to adjust the City's budget consistent with recommendations made by the State Commissioner of Education and State Comptroller, contending that the legislation was enacted without a Home Rule request from the City in violation of Article IX of the State Constitution. On February 24, 2015, a stipulation of discontinuance was filed with the Westchester County Clerk's Office ending the litigation with prejudice. The State continues to work with City officials to develop a multi-year plan to address the implications of the improper accrual of State aid.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Budget Director, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality", is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board is currently reviewing or has completed reviews for twelve municipalities. The Restructuring Board is also authorized, upon the joint request of the fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity's score on the fiscal components will determine whether or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as "No Designation".

A total of 50 local governments (10 counties, 7 cities, 17 towns, 16 villages) and 87 school districts have been placed in a stress category based on financial data for their fiscal years ending in 2013. The vast majority of entities (98 percent) are classified in the "No Designation" category.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long range economic trends. Other large scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2013.

DEBT OF NEW YORK LOCALITIES ⁽¹⁾						
(millions of dollars)						
Locality Fiscal Year Ending	Combined		Other Localities Debt ⁽³⁾		Total Locality Debt ⁽³⁾	
	New York City Debt ⁽²⁾ Bonds	Notes	Bonds ⁽⁴⁾	Notes ⁽⁴⁾	Bonds ⁽³⁾⁽⁴⁾	Notes ⁽⁴⁾
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2003	47,376	1,110	23,951	6,429	71,327	7,539
2004	50,265	0	26,684	4,979	76,949	4,979
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	0	36,103	7,361	105,639	7,361
2011	73,572	0	36,230	7,312	109,802	7,312
2012	77,354	0	36,663	7,178	114,017	7,178
2013	79,418	0	36,299	7,318	115,717	7,318

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

⁽¹⁾ Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

⁽²⁾ Includes bonds issued by New York City and its related issuers, the Transitional Finance Authority, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" in the section of this document entitled "Authorities and Localities - The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, and the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

⁽³⁾ Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

⁽⁴⁾ Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

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State Government Employment

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As of March 31, 2015, the State had approximately 179,600 FTE annual salaried employees funded from all funds including some part-time and temporary employees, independently-elected agencies and university systems, but excluding seasonal, legislative and judicial employees. The workforce is now substantially smaller than it was in 1990, when it peaked at approximately 230,000 positions. The State workforce is projected to total 181,154 positions at the end of FY 2016. The State workforce subject to direct Executive control is expected to total 119,349 full time equivalent positions at the end of FY 2016.

The State Public Employment Relations Board defines negotiating units for State employees. GOER conducts collective bargaining negotiations with the State's unions, with the exception of employees of the Judiciary, public authorities, CUNY and the Legislature. Such negotiations include terms and conditions of employment, except pension benefits. The State has settled collective bargaining agreements with 97 percent of the State workforce subject to direct Executive control for the contract period that commenced in FY 2012. A seven-year agreement through FY 2018 was recently achieved with the Commissioned and Noncommissioned Officers unit in the Division of State Police. Five-year agreements through FY 2016 were reached with CSEA, UUP, NYSCOPBA, Council 82, DC-37 (Housing), and the Graduate Student Employees Union. Four-year agreements through FY 2015 were reached with PEF and PBANYS.

While approximately 94 percent of the State workforce is unionized, the remainder of the workforce is designated as "managerial" or "confidential" (M/C) and is excluded from collective bargaining. The results of collective bargaining negotiations have historically been applied to all State employees within the Executive Branch. However, general salary increases were withheld from M/C employees in FY 2010 and FY 2011. Under the State's Taylor Law, the general statute governing public employee-employer relations in the State, employees are prohibited from striking. A strike against the State last occurred in 1979 by employees of DOCCS.

HISTORICAL SUMMARY OF EXECUTIVE BRANCH ANNUAL SALARIED FTEs ALL FUNDS		
Date	Subject to Direct Executive Control	Grand Total
3/31/2008	137,680	195,239
3/31/2009	136,495	195,329
3/31/2010	131,741	191,195
3/31/2011	125,787	183,921
2/29/2012*	119,579	179,598
3/31/2013	119,756	180,802
3/31/2014	118,492	180,041
3/31/2015	117,807	179,620

*Reflects a payroll prior to fiscal year-end due to concurrent implementation of the State's Statewide Financial System (SFS) which resulted in anomalies to the accounting of FTEs with the actual FY 2012 year-end payroll.

WORKFORCE SUMMARY			
ALL FUNDS			
FY 2014 THROUGH FY 2016			
	FY 2014	FY 2015	FY 2016
	Actuals	Actuals	Estimate
	(03/31/14)	(03/31/15)	(03/31/16)
Major Agencies			
Children and Family Services, Office of	2,951	2,986	3,059
Corrections and Community Supervision, Department of	28,975	28,673	29,022
Education Department, State	2,611	2,643	2,692
Environmental Conservation, Department of	2,917	2,869	2,946
Financial Services, Department of	1,271	1,334	1,393
General Services, Office of	1,449	1,588	1,848
Health, Department of	4,701	4,839	5,113
Information Technology Services, Office of	3,689	3,592	3,586
Labor, Department of	3,417	3,111	3,120
Mental Health, Office of	14,593	14,528	14,569
Motor Vehicles, Department of	2,237	2,153	2,159
Parks, Recreation and Historic Preservation, Office of	1,748	1,747	1,746
People with Developmental Disabilities, Office for	19,271	18,528	18,655
State Police, Division of	5,386	5,667	5,612
Taxation and Finance, Department of	4,280	4,395	4,359
Temporary and Disability Assistance, Office of	1,790	1,946	1,968
Transportation, Department of	8,540	8,559	8,304
Workers' Compensation Board	1,145	1,130	1,204
Subtotal - Major Agencies	110,971	110,288	111,355
Minor Agencies	7,521	7,519	7,994
Subtotal - Subject to Direct Executive Control	118,492	117,807	119,349
University Systems			
City University of New York	13,864	13,703	13,611
State University Construction Fund	146	145	152
State University of New York	43,326	43,692	43,576
Subtotal - University Systems	57,336	57,540	57,339
Independently Elected Agencies			
Audit and Control, Department of	2,498	2,526	2,633
Law, Department of	1,715	1,747	1,833
Subtotal - Independently Elected Agencies	4,213	4,273	4,466
Grand Total	180,041	179,620	181,154
Source: NYS DOB.			

State Retirement Systems

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General

This section summarizes key information regarding the New York State and Local Retirement System (“NYSLRS” or the “Systems”) and the Common Retirement Fund (“CRF”), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2014, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2014. For the fiscal year ended March 31, 2015, the Systems’ audited Financial Statement will be available on the OSC website on July 15, 2015 and the NYSLRS’ CAFR and Asset listing will be available by September 30, 2015.

The Systems Actuary’s Annual Report to the Comptroller on Actuarial Assumptions - the contents of which explain the methodology used to determine employer contribution rates to the Systems - issued from 2007 through 2014, as well as NYSLRS’ CAFR and Asset Listing for 2014 and for each fiscal year since 2004, and benefit plan booklets describing how each of the Systems’ tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications. The Systems’ audited Financial Statements for the fiscal year ending March 31, 2014, and the three prior fiscal years, can also be accessed at that web page.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees’ Retirement System (“ERS”) and the New York State and Local Police and Fire Retirement System (“PFRS”). The State Comptroller promulgates rules and regulations for the administration and transaction of the business of the Systems. Pursuant to the State’s Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services. The State Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law to hold the Systems’ assets, and, as such, is responsible for investing the assets of the Systems. Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller (“Division”). Division employees, outside advisors, consultants and legal counsel provide the State Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff must sign off on investment decisions before final action by the State Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the State Comptroller in his investment duties. The Investment Advisory Committee advises the State Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

The Systems engage an independent auditor to conduct an audit of the Systems’ annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the Systems. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance

companies or pension plans. The Systems also engage 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. 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 Systems

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2015. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2015, approximately 643,000 persons were members of the Systems and approximately 430,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be “a contractual relationship, the benefits of which shall not be diminished or impaired”.

Comparison of Benefits by Tier

The Systems’ members are categorized into six tiers depending on date of membership. As of March 31, 2014, approximately 74 percent of ERS members were in Tiers 3 and 4 and approximately 82 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 Systems can be accessed at <http://www.osc.state.ny.us/retire/employers/tier-6/index.php>.

2010 Retirement Incentive Program

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Early Retirement Incentive Program (ERI) for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. Approximately 6,400 State employees and 5,453 members from 610 participating employers retired under the ERI. The cost of the incentive is borne by the State and each participating employer electing the incentive over a five-year period commencing with a payment in FY 2012. In 2014, the State paid in full its non-judiciary retirement incentive liability. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2015 is \$0.2 million and the amount due from participating employers is \$58.34 million.

Contributions and Funding

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 83.5 percent of the 1,805 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning \$45,000 or less must contribute 3 percent of their gross annual wages; members earning between \$45,001 and \$55,000 will contribute 3.5 percent; members earning between \$55,001 and \$75,000 will contribute 4.5 percent; members earning between \$75,001 and \$100,000 will contribute 5.75 percent; and, those earning in excess of \$100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent⁵.

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.5 percent assumed return) over a 5-year period. The significant investment

⁵ During 2015, the Retirement Systems Actuary will conduct 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. The chief investment officer currently is conducting an asset allocation study. The resulting asset allocation and long-term asset allocation policy will inform the Actuary's recommendation regarding any revision in the investment rate of return (discount rate). Changes to the actuarial assumptions will be reflected in the 2016/17 rates, which the Comptroller is expected to announce in September 2015.

losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012, FY 2013 and FY 2014. However, rates decreased for FY 2015 and FY 2016 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 Systems as of each April 1. Final contribution rates for FY 2016 were released on September 2, 2014. The average ERS rate decreased by 9.5 percent from 20.1 percent of salary in FY 2015 to 18.2 percent of salary in FY 2016, while the average PFRS rate decreased by 10.5 percent from 27.6 percent of salary in FY 2015 to 24.7 percent of salary in FY 2016. Information regarding average rates for FY 2016 may be found in the 2014 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 Systems' billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2015, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is \$1.9 million and from participating employers is \$27.5 million. The State paid approximately \$1.921 billion in contributions (including Judiciary) for FY 2015 including amortization payments of approximately \$439.9 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program and two partial payments of prior amortizations.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014 and FY 2015, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 percent respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, it is expected that this will reduce the budgetary volatility of employer contributions. As of March 31, 2015, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$164.7 million from the State and \$27.7 million from 45 participating employers; the amortized amount

receivable, including accrued interest, for the 2012 amortization is \$416.5 million from the State and \$152.6 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$642.2 million from the State and \$302.2 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is \$860.3 million for the State and \$200 million from 110 participating employers; and the amortized amount receivable including accrued interest, for the 2015 amortization is \$715.0 million from the State and \$152.1 million from 86 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. The amortized amount receivable, including interest, from 29 participating employers for the 2014 amortization is \$234.1 million and the amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is \$196.5 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. 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 and 3.50 percent for FY 2015). 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 2015 was approximately \$2.780 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2015 payment by \$713.2 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under “Pension Assets and Liabilities”.

The total State payment (including Judiciary) due to NYSLRS for FY 2016 is approximately \$2.503 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately \$302.2 million. If the State (including Judiciary) opts to amortize the maximum amount permitted, this would reduce the required March 1, 2016 payment by \$395.1 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under “Pension Assets and Liabilities”.

Pension Assets and Liabilities

The Systems' assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the State Comptroller as trustee of the CRF. The Systems report that the net position restricted for pension benefits as of March 31, 2014 was \$181.3 billion (including \$5.3 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of \$17.1 billion or 10.4 percent from the FY 2013 level of \$164.2 billion. The increase in net position restricted for pension benefits from FY 2013 to FY 2014 reflects, in large part, equity market performance⁶. The valuation used by the Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2014. The Systems' audited Financial Statement reports a gain of 13.02 percent for FY 2014.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 43 percent equities (30 percent domestic and 13 percent international); 22 percent bonds, cash and mortgages; 8 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 6 percent real estate, 4 percent absolute return or hedge funds, 4 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process⁷.

The Systems report that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from \$204.5 billion on April 1, 2013 to \$216.4 billion (including \$101.5 billion for current retirees and beneficiaries) on April 1, 2014. The funding method used by the Systems anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2014 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2014, 40 percent of the unexpected gain for FY 2013, 60 percent of the unexpected loss for FY 2012, and 80 percent of the unexpected gain for FY 2011⁸. The asset valuation method smoothes gains and losses based on the market value of all

⁶ On May 22, 2015, the State Comptroller released a statement indicating that the value of the Systems' invested assets posted an estimated 7.16 percent return for the fiscal year ended March 31, 2015. This report reflects unaudited data for assets invested for the Systems. The value of invested assets changes daily.

⁷ More detail on the CRF's asset allocation as of March 31, 2014, long-term policy allocation and transition target allocation can be found on page 80 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014.

⁸ The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period.

investments. Actuarial assets increased from \$155.4 billion on April 1, 2013 to \$171.7 billion on April 1, 2014. The funded ratio, as of April 1, 2014, calculated by the Systems Actuary in August 2014 using the entry age normal funding method and actuarial assets, was 92 percent⁹.

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 Systems' actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

The standards for public plans' financial statements went into effect for fiscal years beginning on or after June 15, 2013 (e.g. NYSLRS March 31, 2015 financial statement). The standards for employers were effective for fiscal years that began on or after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016.

Under the new standards, participating employers will be required to report a new liability (Net Pension Liability) in their financial statements. The Systems are currently evaluating the impact of the new standards and implementation considerations.

Statement 67 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. Statement 68 replaced the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new Statements also replaced the requirements of Statement No. 50, Pension Disclosures, for those governments and pension plans.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "State Retirement Systems — Contributions and Funding" above.

⁹ Detail on the funded ratios of ERS and PFRS as of April 1 for FY 2014 and for each of the five previous fiscal years can be found on page 58 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014. Detail regarding employers' Annual Required Contribution for FY 2014 and each of the five previous fiscal years can be found on page 59 of the NYSLRS' CAFR for the fiscal year ending March 31, 2014.

**CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS⁽¹⁾**
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid ⁽³⁾
	All Participating Employers ⁽¹⁾⁽²⁾	Local Employers ⁽¹⁾⁽²⁾	State ⁽¹⁾⁽²⁾	Employees	
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978

Sources: State and Local Retirement Systems.

⁽¹⁾ Contributions recorded include the full amount of unpaid amortized contributions.

⁽²⁾ The annual required contributions (ARC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts. Additional information on the ARC can be accessed on page 59 of the NYSLRS CAFR for fiscal year ending March 31, 2014.

⁽³⁾ Includes payments from Group Life Insurance Plan, which funds the first \$50,000 of any death benefit paid.

**NET ASSETS AVAILABLE FOR BENEFITS OF THE
NEW YORK STATE AND LOCAL RETIREMENT SYSTEMS⁽¹⁾**
(millions of dollars)

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6
2013	164,222	7.0
2014	181,275	10.4

Sources: State and Local Retirement Systems.

⁽¹⁾ Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2014 includes approximately \$5.3 billion of receivables.

Litigation and Arbitration

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General

The legal proceedings listed below involve State finances and programs and other claims in which the State is a defendant and the potential monetary claims against the State are deemed to be material, meaning in excess of \$100 million or involving significant challenges to or impacts on the State's financial policies or practices. As explained below, these proceedings could adversely affect the State's finances in FY 2016 or thereafter. The State intends to describe newly initiated proceedings which the State deems to be material and existing proceedings which the State has subsequently deemed to be material, as well as any material and adverse developments in the listed proceedings, in quarterly updates and/or supplements to this AIS.

For the purpose of this Litigation and Arbitration section of the AIS, the State defines "material and adverse developments" as rulings or decisions on or directly affecting the merits of a proceeding that have a significant adverse impact upon the State's ultimate legal position, and reversals of rulings or decisions on or directly affecting the merits of a proceeding in a significant manner, whether in favor of or adverse to the State's ultimate legal position, all of which are above the \$100 million materiality threshold described above. The State intends to discontinue disclosure with respect to any individual case after a final determination on the merits or upon a determination by the State that the case does not meet the materiality threshold described above.

The State is party to other claims and litigation, with respect to which its legal counsel has advised that it is not probable that the State will suffer adverse court decisions, or which the State has determined do not, considered on a case by case basis, meet the materiality threshold described in the second paragraph of this section. Although the amounts of potential losses, if any, resulting from these litigation matters are not presently determinable, it is the State's position that any potential liability in these litigation matters is not expected to have a material and adverse effect on the State's financial position in FY 2015 or thereafter. The Basic Financial Statements for FY 2015, which OSC expects to issue by July 29, 2015, is expected to report possible and probable awarded and anticipated unfavorable judgments against the State.

Adverse developments in the proceedings described below, other proceedings for which there are unanticipated, unfavorable and material judgments, or the initiation of new proceedings could affect the ability of the State to maintain a balanced FY 2016 Financial Plan. The State believes that the FY 2016 Enacted Budget includes sufficient reserves to offset the costs associated with the payment of judgments that may be required during FY 2016. These reserves include (but are not limited to) amounts appropriated for Court of Claims payments and projected fund balances in the General Fund. In addition, any amounts ultimately required to be paid by the State may be subject to settlement or may be paid over a multi-year period. There can be no assurance, however, that adverse decisions in legal proceedings against the State would not exceed the amount of all potential FY 2016 Enacted Budget resources available for the payment of judgments, and could therefore adversely affect the ability of the State to maintain a balanced FY 2016 Enacted Budget.

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

Real Property Claims

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

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

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

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

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, and was approved by the Federal Court on March 4, 2014.

There are two cases challenging the settlement agreement. In *Matter of Town of Verona, et al. v. Cuomo, et al.* (Sup. Ct., Albany Co.), the plaintiffs are citizen taxpayers, voters, and two towns. The defendants 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 *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.

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe’s land claim. The land claim has been stayed through at least June 15, 2015 to allow for settlement negotiations.

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

In *Shinnecock Indian Nation v. State of New York, et al.* (“EDNY”), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants’ motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, and on October 31, 2014, plaintiff also withdrew its motion to amend the complaint. The *Shinnecock* appeal to the Second Circuit has been reinstated and is undergoing briefing.

West Valley Litigation

In *State of New York, et al. v. The United States of America, et al.*, 06-CV-810 (WDNY), the parties have sought to resolve the relative responsibilities of the State and Federal governments for the cost of remediating the Western New York Nuclear Service Center (the “Center” or “Site”), located in West Valley, Cattaraugus County, New York. The Center was established by the State in the 1960s in response to a Federal call to commercialize the reprocessing of spent nuclear fuel from power reactors. The private company that had leased the Site ceased operations in 1972, leaving behind two disposal areas and lagoons, highly contaminated buildings, and 600,000 gallons of liquid high level radioactive waste (“HLRW”) generated by reprocessing activities.

Congress enacted the West Valley Demonstration Project Act (the “Act”) in 1980, directing the Federal government to solidify the HLRW and transport it to a Federal repository, decontaminate and decommission the facilities and dispose of the low-level waste produced from the Demonstration Project. The Act directed the State to pay 10 percent of the Demonstration Project costs. However, for many years the two governments disputed what additional cleanup is needed; which cleanup activities are covered by the Act (and thus subject to the 90/10 split); who bears the long-term responsibility for maintaining, repairing or replacing and monitoring tanks or other facilities that are decommissioned in place at the Site; and who pays for the offsite disposal fee for the solidified HLRW. The combined Federal and State cost expenditures to date amount to approximately \$2.6 billion. The State’s expenditures at the Center are now approaching \$320 million.

In order to resolve these disputes, the State and the New York State Energy Research and Development Authority (“ERDA”) (which owns the Center on behalf of New York State) filed suit in December 2006, seeking a declaration: (1) that the Federal government (which sent wastes from various Federal facilities to the Center) is liable under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”, or Federal Superfund law) for the State’s cleanup costs and for damages to the State’s natural resources, and a judgment reimbursing the State for these costs and damages, (2) of the scope of the Federal government’s responsibilities under the Act to decontaminate and decommission the Site and for further Site monitoring and maintenance, and (3) that the US is responsible under the Nuclear Waste Policy Act for paying the fees for disposal of solidified HLRW at the Site. After commencement of the action, the parties engaged in court-ordered mediation, as a result of which a Consent Decree was approved and entered on August 17, 2010, resolving several key claims in the litigation.

The Consent Decree identifies a specific cost share for each government for specified facilities and known areas of contamination, and sets forth a process for determining cost shares for contamination that may be identified in the future. The Consent Decree does not select or advocate the selection of any particular cleanup program for the Site-cleanup decisions are being made via the ongoing Environmental Impact Statement (“EIS”) process.

The Consent Decree also does not resolve two claims raised in the State’s lawsuit - the State’s natural resource damages claim and its Nuclear Waste Policy Act claim. The first claim, which the Federal government has agreed to toll, will be pursued by the New York State Department of Environmental Conservation (“DEC”) (as trustee of the State’s natural resources) and the Attorney General’s office. Regarding the latter claim, the State asserts that the Federal government bears sole responsibility for the cost of disposing of the 275 canisters of vitrified HLRW waste remaining at the Site at a Federal repository once one becomes available. Pursuant to an agreed briefing schedule, the parties submitted to the Court their opening and responsive briefs for competing motions to dismiss the Nuclear Waste Policy Act claim. On November 20, 2013, the Court issued an order granting the State's motion to dismiss this claim for lack of ripeness, and denying the United States' motion to dismiss to the extent it sought a ruling on alternative grounds.

School Aid

In *Maisto v. State of New York* (formerly identified as *Hussein v. State of New York*), plaintiffs seek a judgment declaring that the State's system of financing public education violates § 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education ("SBE"). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. The parties are now working on proposed findings of fact and conclusions of law.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State's appeal is pending. The Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*, discussed below.

In *New York State United Teachers, et al. v. The State of New York, et al.* (Sup. Ct., Albany Co.), commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a (the "Tax Cap Law"), which imposes a 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would interfere with local control of education financing and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding. Defendants moved to dismiss the First Amended Complaint and plaintiffs moved to further file and serve a Second Amended Complaint to add a challenge to newly enacted Education Law § 2023-b ("Tax Freeze Law").

On September 23, 2014, Supreme Court Justice McGrath issued a Decision and Order which (1) granted defendants' motion to dismiss the First Amended Complaint which challenged the constitutionality of the Tax Cap Law; and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Tax Freeze Law. Defendants then moved to dismiss the Second Amended Complaint and, by order to show cause, plaintiffs have moved for a preliminary injunction, but not a temporary restraining order, seeking to enjoin enforcement of the Tax Cap Law and the Tax Freeze Law. Both motions were argued on February 24, 2015. By Decision and Order dated March 16, 2015, Supreme Court granted the defendants' motion to dismiss the Second Amended Complaint, and denied the plaintiffs' motion for a preliminary injunction. Plaintiffs filed a Notice of Appeal to the Third Department on March 24, 2015.

In *New Yorkers for Students Educational Rights v. New York*, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of *Aristy-Farer* -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas.

On May 30, 2014, the State filed a motion to dismiss all claims. On June 24, 2014, plaintiffs moved for a preliminary injunction seeking to restrain defendants from enforcing three of the four statutory provisions challenged in the underlying action. Specifically, plaintiffs seek to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law §§ 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the

venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants filed Notices of Appeal of both November 17, 2014 decisions on December 15, 2014. Defendants filed Answers to the Amended Complaint and to Yonkers' Intervenor Complaint on February 2, 2015.

Medicaid Nursing Home Rate Methodology

In *Kateri Residence v. Novello* (Sup. Ct., New York Co.) and several other cases, the plaintiffs challenge several nursing home rate methodologies, including the "reserve bed patient day adjustment", which regulates payments to nursing homes when long term care patients are receiving off-site care. Supreme Court, New York County, granted partial summary judgment to plaintiffs in *Kateri*, holding that the reserve bed patient day adjustment rate methodology was improper. The Appellate Division, First Department affirmed Supreme Court's partial summary judgment decision on interlocutory appeal and remanded the case to Supreme Court for further proceedings. The Court of Appeals denied leave to appeal on the grounds that the decision was not final. Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. The parties are presently conducting discovery. Plaintiffs have brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by Department of Health staff, resulting from application of the reserve bed day methodology. On June 3, 2014, the court granted this motion to the extent of directing payment of \$6.5 million out of the \$49 million sought by plaintiff. 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. Similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), are due on July 19, 2015, and document discovery will close on July 1, 2015.

Sales Tax

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

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

In July 2011, plaintiffs commenced *Akwesasne Convenience Store Association et al. v. State of New York, (Sup. Ct., Erie Co.)*, against the State of New York and other defendants, seeking a declaration that the statutory voucher system impermissibly burdens Indian commerce and is preempted by Federal law and further seeking to enjoin the implementation, administration or enforcement of the system. The court denied plaintiffs' request for a temporary restraining order and, by decision dated August 19, 2011, also denied plaintiffs' subsequent motion for a preliminary injunction. Plaintiffs appealed to the Appellate Division, Fourth Department, which denied plaintiffs' motion for a preliminary injunction pending appeal on September 14, 2011. The appeal is pending. By decision dated August 2, 2012, the Supreme Court, Erie County, granted defendants' motion for summary judgment dismissing the complaint and denied plaintiffs' cross motion for summary judgment. Plaintiffs appealed directly to the Court of Appeals by notice of appeal filed on October 12, 2012. On January 15, 2013, the Court of Appeals transferred the appeal to the Appellate Division, Fourth Department, on the grounds that a direct appeal to the Court of Appeals does not lie.

Insurance Department Assessments

In *New York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.)*, several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department

pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. 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 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.

Tobacco Master Settlement Agreement (MSA) Litigation

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

Tobacco Master Settlement Agreement Arbitration

The Participating Manufacturers have also brought a nationwide arbitration proceeding against the Settling States (excluding Montana). The MSA provides that each year, in perpetuity, the PMs pay the Settling States a base payment, subject to certain adjustments, to compensate for financial harm suffered by the Settling States due to smoking-related illness. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("Non-Participating Manufacturers" or "NPMs") to deposit in escrow an amount roughly equal to the amount that PMs pay per pack sold. New York's allocable share of the total base payment is approximately 12.8 percent of the total, or approximately \$800 million annually.

In the arbitration proceeding commenced in 2010, the PMs asserted that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs sought a downward adjustment of the payment due in that year (an "NPM Adjustment") which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled in 2003. The PMs have raised the same claim for years 2004-2012, but none of those years is yet in arbitration.

A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May 2012, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. The last state-specific "diligent" enforcement hearing took place May 21-24, 2013. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, during the pendency of the arbitration, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. The Signatory Parties then sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states objected to approval of the term sheet because its terms negatively impact the non-joining states. Under the MSA reallocation provision, every state is either "diligent" or "not diligent" and only "diligent" states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively, the "Signatory States") "diligent" for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, had New York been found to have been "not diligent" in its enforcement of its escrow statute in 2003, New York would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, moved in their respective state courts to vacate or modify the Partial Award notwithstanding the Panel's finding. New York's motion has been adjourned several times. The six states that were found "not diligent" are all actively pursuing motions in their state courts to vacate or modify the Partial Award as well as to vacate the Panel's findings regarding that state's diligence. Courts in two of the non-prevailing states, Missouri and Pennsylvania, have issued decisions vacating and/or modifying the Panel's Partial Award to the extent that the Award unfairly harms each of those states by having the Signatory States deemed diligent for purposes of allocation of the NPM Adjustment. The Partial Award decision has been upheld by an intermediate appellate court. Each of these courts held that the Signatory States should be deemed non-diligent for purposes of allocation of the NPM Adjustment. The court in Maryland denied the state's motion to vacate or modify the Partial Award.

The PMs have indicated their intent to bring a nationwide NPM Adjustment Arbitration for sales year 2004 against New York and the other states that rejected the term sheet.

Exhibit A to AIS - Selected State Government Summary

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State Government Organization

The State has a centralized administrative system with most executive powers vested in the Governor. The State has four officials elected in statewide elections, the Governor, Lieutenant Governor, Comptroller and Attorney General. These officials serve four-year terms that next expire on December 31, 2018.

<u>Name</u>	<u>Office</u>	<u>Party Affiliation</u>	<u>First Elected</u>
Andrew M. Cuomo	Governor	Democrat	2010
Kathleen C. Hochul	Lieutenant Governor	Democrat	2014
Thomas P. DiNapoli	Comptroller	Democrat	2007
Eric T. Schneiderman	Attorney General	Democrat	2010

The Governor and Lieutenant Governor are elected jointly. The Comptroller and Attorney General are chosen separately by the voters during the election of the Governor. The Governor appoints the heads of most State departments, including the Director of the Budget (the current Director is Mary Beth Labate). DOB is responsible for preparing the Governor's Executive Budget, negotiating that budget with the State Legislature, and implementing the budget once it is adopted, which includes updating the State's fiscal projections quarterly. DOB is also responsible for coordinating the State's capital program and debt financing activities. The Comptroller is responsible for auditing the disbursements, receipts and accounts of the State, as well as for auditing State departments, agencies, public authorities and municipalities. The Comptroller is also charged with managing the State's General Obligation debt and most of its investments (see "Appropriations and Fiscal Controls" and "Investment of State Moneys" below). The Attorney General is the legal advisor to State departments, represents the State and certain public authorities in legal proceedings and opines upon the validity of all State General Obligation bonds and notes.

The State Legislature is presently composed of a 63-member Senate and a 150-member Assembly, all elected from geographical districts for two-year terms, expiring December 31, 2016. Both the Senate and the Assembly operate on a committee system. The Legislature meets annually, generally for about six months, and remains formally in session the entire year. In recent years there have been special sessions, as well. The current Coalition co-Leaders in the Senate are President Pro Tempore and Majority Leader John Flanagan (Republican) and co-Leader Jeffrey Klein (Independent Democratic Conference). Carl Heastie (Democrat) is the Speaker of the Assembly. The minority leaders are Andrea Stewart-Cousins (Democrat) in the Senate and Brian Kolb (Republican) in the Assembly.

Appropriations and Fiscal Controls

The State Constitution requires the Comptroller to audit the accrual and collection of State revenues and receipts and to audit vouchers before payment and all official accounts. Generally, no State payment may be made unless the Comptroller has audited it. Additionally, the State Constitution requires the Comptroller to prescribe such methods of accounting as are necessary for the performance of the foregoing duties.

Disbursements from State funds are limited to the level of authorized appropriations. Disbursements from Federal funds must be appropriated in accordance with appropriate legal authority, are limited to the amounts anticipated from Federal programs and may not be made in the absence of appropriate certifications from the Director of the Budget. Generally, most State contracts for disbursements in excess of \$50,000 (or \$85,000 in the case of the Office of General Services) require prior approval by the Comptroller. However, certain contracts, primarily of SUNY and CUNY, and those established as a centralized contract through the Office of General Services, are not subject to approval by the Comptroller, and certain other contracts are subject to higher thresholds. In most cases, State agency contracts depend upon the existence of an appropriation and the availability of that appropriation as certified by the Director of the Budget. The Budget Director must review all applications for State participation in continuing grant- or contract-supported programs, with specified exceptions. Certain legislative leaders have the opportunity to make recommendations on the applications. In addition, the Comptroller has the discretion to identify and review certain public authority contracts valued at \$1.0 million or greater that are either awarded without competition or which are paid using State-appropriated funds.

Appropriations may be increased or decreased in accordance with statutory authority under certain circumstances by transfer, interchange or otherwise. In addition, appropriations may be increased or decreased by statutory amendment or by supplemental appropriations. Moneys or other financial resources from one fund may also be loaned to another fund, but only if such loan is repaid in full prior to the end of the month in which the loan was made, except as provided by law. Pursuant to authority contained in most State operations appropriations for FY 2016, the Director of the Budget is also allowed to interchange, transfer, or suballocate such appropriation authority to other agencies in order to achieve the consolidation and realignment of certain State operations.

In addition, the Governor has traditionally exercised substantial authority in administering the State Financial Plan by limiting certain disbursements after the Legislature has enacted appropriation bills and revenue measures. The Governor may, primarily through DOB, limit certain spending by State departments, and delay construction projects to control disbursements using the Director of the Budget's certification process. An important limitation of the Governor's ability to restrict disbursements is that local assistance payments, which typically make up close to 70 percent of General Fund disbursements (including operating transfers to other funds), are generally mandated by statute. The State Court of Appeals has held that, even in an effort to maintain a balanced Financial Plan, neither the Governor nor the Director of the Budget has the authority to refuse to make a local assistance disbursement mandated by law.

Investment of State Moneys

The Comptroller is responsible for the investment of substantially all State moneys. By law, such moneys may be invested only in obligations issued or guaranteed by the Federal government or the State, obligations of certain Federal agencies that are not guaranteed by the Federal government, certain general obligations of other states, direct obligations of the State's municipalities and obligations of certain public authorities, certain short-term corporate obligations, certain bankers' acceptances, and certificates of deposit secured by legally qualified governmental securities. All securities in which the State invests moneys held by funds administered within the State Treasury must mature within twelve years of the date they are purchased. Money impounded by the Comptroller for payment of TRANs may only be invested, subject to the provisions of the State Finance Law, in (i) obligations of the Federal government, (ii) certificates of deposit secured by such obligations, or (iii) obligations of or obligations guaranteed by agencies of the Federal government as to which the payment of principal and interest is guaranteed by the Federal government.

The Comptroller invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund. The interest earnings accrued are allocated and deposited to the credit of those funds with positive balances that contribute to the overall invested STIP pool.

The Comptroller is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements). The General Fund is authorized to receive temporary loans from STIP for a period not to exceed four months or the end of the fiscal year, whichever is shorter.

The State Comptroller repays loans from the first cash receipts into the borrowing fund or account. Fund balances outside the General Fund are presented on a net basis, i.e., they are reduced by the amount of outstanding temporary loans from STIP. The primary sources of the State's temporary loans include timing-related delays in the receipt from Federal funds and the sale of bonds used to finance capital projects, and unreimbursed costs related to the Office of Information Technology Services (ITS) Internal Service funds. The total outstanding balance of loans from STIP at March 31, 2015 was \$2.305 billion, an increase of \$61 million from the outstanding loan balance of \$2.244 billion at March 31, 2014.

Accounting Practices, Financial Reporting and Budgeting

Historically, the State has accounted for, reported and budgeted its operations on a cash basis. Under this form of accounting, receipts are recorded at the time money or checks are deposited in the State Treasury, and disbursements are recorded at the time a check or electronic payment is released. As a result, actions and circumstances, including discretionary decisions by certain governmental officials, can affect the timing of payments and deposits and therefore can significantly affect the cash amounts reported in a fiscal year. Under cash-basis accounting, all estimates and projections of State receipts and disbursements relating to a particular fiscal year are of amounts to be deposited in or disbursed from the State Treasury during that fiscal year, regardless of the fiscal period to which particular receipts or disbursements may otherwise be attributable.

The State also has an accounting and financial reporting system based on GAAP and currently formulates a GAAP financial plan. GAAP for governmental entities requires use of the accrual basis of accounting for the government-wide financial statements which includes governmental and business-type activities and component units. Revenues are recorded when they are estimated to have been earned and expenses are recorded when a liability is estimated to have been incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the modified accrual basis of accounting. Under modified accrual procedures, revenues are recorded when they become both measurable and available within 12 months of the end of the current fiscal period to finance expenditures; expenditures are recorded in the accounting period for which the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of expenditures such as debt service, compensated absences, and claims and judgments. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Non-exchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

**Exhibit B to AIS -
State Related Bond Authorizations**

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Bond authorizations reflected in the following tables represent authorizations where there are remaining amounts authorized, but unissued, or where there is debt outstanding.

STATE-RELATED DEBT					
FY 2016 BOND CAPS AND DEBT OUTSTANDING					
(millions of dollars) ⁽¹⁾					
Type of Cap	Program	FY 2016 Bond Caps	Authorized But Unissued ⁽²⁾	Debt Outstanding ⁽³⁾	As of 3/31/15
(Gross or Net)*					
Education:					
Gross	SUNY Educational Facilities (4)	11,228	1,259	8,058	
Net	SUNY Dormitory Facilities (5)	1,561	68	1,164	
Net	SUNY Upstate Community Colleges (5)	838	195	813	
Gross	CUNY Educational Facilities (6)	7,393	776	4,708	
Net	State Ed Department Facilities (7)	0	0	38	
Net	SUNY Athletic Facilities	22	0	12	
Net	RESCUE	195	0	32	
Net	University Facilities (Jobs 2000)	48	1	3	
Net	School District Capital Outlay Grants	140	40	0	
Net	Judicial Training Institute	16	0	7	
Net	Transportation Transition Grants	80	12	0	
Net	Public Broadcasting Facilities	15	0	2	
Net	Higher Education Capital Matching Grants	210	68	71	
Net	EXCEL	2,600	109	1,908	
Net	Library Facilities	140	28	75	
Net	Cultural Education Storage Facilities	79	69	8	
Net	State Longitudinal Data System	20	10	6	
Net	SUNY 2020 Challenge Grants	440	380	54	
Net	Private Special Education	5	5	0	
Environment:					
Net	Environmental Infrastructure Projects (8)	1,776	793	688	
Net	Hazardous Waste Remediation	2,200	1,457	585	
Net	Riverbank State Park	78	18	32	
Net	Water Pollution Control (SRF)	805	130	148	
Net	Pipeline for Jobs (Jobs 2000)	34	2	0	
Net	Long Island Pine Barrens	15	0	2	
Net	Pilgrim Sewage Plant	11	0	1	
State Facilities:					
Net	Empire State Plaza	133	13	0	
Net	State Capital Projects (Attica)	200	0	102	
Net	Division of State Police Facilities	156	37	104	
Net	Division of Military & Naval Affairs	27	9	14	
Net	Alfred E. Smith Building	89	0	54	
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	16	
Net	State Office Buildings and Other Facilities	470	241	182	
Net	Judiciary Improvements	38	1	19	
Net	OSC State Buildings	52	0	22	
Net	Albany Parking Garage (East)	41	0	23	
Net	OGS State Buildings and Other Facilities (9)	140	26	88	
Net	Equipment Acquisition (COPs) (10)	784	106	205	
Net	Food Laboratory	40	0	35	
Net	OFT Facilities	121	118	2	
Net	Courthouse Improvements	76	27	36	
Gross	Prison Facilities	7,163	515	4,317	
Net	Homeland Security	197	89	86	
Gross	Youth Facilities	611	211	178	
Net	NYRA Land Acquisition/VLT Construction	355	0	42	
Net	Storm Recovery Capital	450	450	0	
Net	Office of Information Technology Services	269	237	28	
Net	Nonprofit Infrastructure Capital Investment Program	50	50	0	
Health/Mental Hygiene:					
Net	Department of Health Facilities (inc. Axelrod)	495	3	265	
Gross	Mental Health Facilities	7,723	992	3,660	
Net	HEAL NY Capital Program	750	95	470	
Net	Capital Restructuring Program	2,200	2,200	0	
Transportation:					
Gross	Consolidated Highway Improvement Program (CHIPS)	8,659	1,243	4,040	
Net	Dedicated Highway & Bridge Trust	16,500	3,302	7,157	
Net	High Speed Rail	22	22	0	
Net	Albany County Airport	40	1	3	
Net	Transportation Initiatives	1,690	1,647	36	
Net	MTA Transportation Facilities	1,520	1,520	0	
N/A	MTA Service Contract	2,005	0	1,638	
Net	Transportation (TIFIA)	750	750	0	

Exhibit B - State Related Bond Authorizations

Annual Information Statement

STATE-RELATED DEBT FY 2016 BOND CAPS AND DEBT OUTSTANDING (millions of dollars) ⁽¹⁾					
Type of Cap	Program	FY 2016 Bond Caps	Authorized But Unissued ⁽²⁾	Debt Outstanding ⁽³⁾ As of 3/31/15	
(Gross or Net) [*]					
Economic Development:					
Gross	Housing Capital Programs	3,154	390	1,566	
Net	Community Enhancement Facilities (CEFAP)	424	43	39	
Net	University Technology Centers (incl. HEAT) (11)	248	13	21	
Gross	Onondaga Convention Center	40	0	18	
Net	Sports Facilities	145	0	47	
Net	Child Care Facilities	30	1	9	
Net	Bio-Tech Facilities	10	10	0	
Net	Strategic Investment Program	216	21	19	
Net	Regional Economic Development (Fund 002) (12)	1,190	33	235	
Net	NYS Economic Development (2004) (13)	346	0	171	
Net	Regional Economic Development (2004) (14)	243	221	9	
Net	High Technology and Development	249	73	109	
Net	Regional Economic Development/SPUR	90	28	20	
Net	Buffalo Inner Harbor	50	0	39	
Net	Jobs Now	14	1	0	
Net	Economic Development 2006 (Various) (15)	2,310	355	1,491	
Net	Javits Convention Center (Expansion '06)	350	350	0	
Net	Queens Stadium (Mets)	75	0	42	
Net	Bronx Stadium (Yankees)	75	0	49	
Net	NYS Ec Dev Stadium Parking ('06)	75	69	5	
Net	State Modernization Projects (RIOCC Tram, etc.)	50	15	8	
Net	Int. Computer Chip Research and Dev. Center	300	0	98	
Net	2008 and 2009 Economic Development Initiatives	1,269	265	634	
Net	H.H. Richardson Complex/Darwin Martin House	84	8	59	
Net	Economic Development Initiatives	2,888	2,287	559	
Net	State and Municipal Facilities	1,155	1,135	20	
LGAC	Net	Local Government Assistance Corporation	4,700	0	2,345
GO	Gross	General Obligation (16)	19,185	2,747	3,018
Total State-Supported Debt		122,755	27,390	51,867	
Other State Financings:					
				1,745	
	Tobacco Settlement Financing Corporation Bonds			263	
	MBBA Special Purpose School Aid Bonds			302	
	Capital Lease and Mortgage Loan Commitments (17)			315	
	Other (18)				
Total State-Related Debt (19)				54,492	

^{*} Gross caps include cost of issuance fees. Net caps do not.

Source: NYS DOB

⁽¹⁾ Includes only authorized programs that are active at March 31, 2015 or have outstanding program balances or both.

⁽²⁾ Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.

⁽³⁾ Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.

⁽⁴⁾ Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.

⁽⁵⁾ Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.

⁽⁶⁾ The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to \$7.393 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

⁽⁷⁾ Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

⁽⁸⁾ Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.

⁽⁹⁾ Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.

⁽¹⁰⁾ Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.

⁽¹¹⁾ Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.

⁽¹²⁾ Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen'NY'sis), Multi-Modal Transportation Program, and Center of Excellence Program (Laws of 2002).

⁽¹³⁾ Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.

⁽¹⁴⁾ Includes bonds issued for the EOF, RESTORE and CCAP.

⁽¹⁵⁾ Includes bonds to be issued for economic development and environmental projects.

⁽¹⁶⁾ The FY 2015 Enacted Budget authorized a \$2 billion general obligation bond act for Smart Schools, which was approved by voters in November 2014.

⁽¹⁷⁾ Estimated.

⁽¹⁸⁾ Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.

⁽¹⁹⁾ Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

STATE GENERAL OBLIGATION DEBT ¹ as of March 31, 2015 (millions of dollars)			
Purpose/Year Authorized	Total Authorized	Authorized but Unissued	Total Debt Outstanding ²
Transportation Bonds:			
Rebuild and Renew New York Transportation Bonds (2005)			
Highway Facilities/Other Transportation (Excluding MTA)			
Highway Facilities	Note 3	Note 3	\$ 856
Mass Transit - DOT	Note 3	Note 3	8
Rail & Port	Note 3	Note 3	83
Canals & Waterways	Note 3	Note 3	17
Aviation	Note 3	Note 3	51
Subtotal Highway Facilities/Other Transportation (Excluding MTA)	\$ 1,450	\$ 100	1,015
Mass Transit - Metropolitan Transportation Authority	1,450	386	877
Accelerated Capacity and Transportation Improvements of the Nineties (1988)			
	3,000	20	151
Rebuild New York Through Transportation			
Infrastructure Renewal (1983)			
Highway Related Projects	1,064	21	2
Ports, Canals, and Waterways	49	-	-
Rapid Transit, Rail and Aviation Projects	137	-	8
Energy Conservation Through Improved Transportation (1979)			
Local Streets and Highways	100	-	-
Rapid Transit and Rail Freight	400	-	5
Rail Preservation (1974)	250	-	1
Transportation Capital Facilities (1967)			
Highways	1,250	-	-
Mass Transportation	1,000	-	Note 4
Aviation	250	-	9
Total Transportation Bonds	10,400	527	2,068
Environmental Bonds:			
Clean Water/Clean Air (1996)			
Air Quality	230	30	10
Safe Drinking Water	355	-	-
Clean Water	790	62	429
Solid Waste	175	3	43
Environmental Restoration	200	23	92
Environmental Quality (1986)			
Land and Forests	250	1	20
Solid Waste Management	1,200	49	226
Environmental Quality (1972)			
Air	150	12	3
Land and Wetlands	350	7	10
Water	650	2	41
Outdoor Recreation Development (1966)	200	Note 5	-
Pure Waters (1965)	1,000	20	39
Park and Recreation Land Acquisition (1960 and 1962)	100	1	Note 6
Total Environmental Bonds	5,650	210	913
Education Bonds:			
SMART Schools Bond Act (2014)			
	2,000	2,000	-
Total Education	2,000	2,000	-
Housing Bonds:			
Low-Income Housing (through 1958)			
	960	8	20
Middle-Income Housing (through 1958)			
	150	1	17
Urban Renewal (1958)			
	25	1	-
Total Housing Bonds	1,135	10	37
TOTAL GENERAL OBLIGATION DEBT	\$ 19,185	\$ 2,747	\$ 3,018

Source: Office of the State Comptroller

(1) This table reflects General Obligation Bond Acts where there is a remaining authorized but unissued amount and/or a remaining debt outstanding balance.

(2) Reflects unaudited amounts.

(3) The Legislature did not provide any limitation on bonds to be issued for specific project categories or programs authorized within the Highway Facilities/Other Transportation (excluding MTA) Purpose.

(4) This amount rounds to zero, but there was a debt outstanding balance of \$78,383.65 at March 31, 2015.

(5) This amount rounds to zero, but there was an authorized but unissued balance of \$230,000 at March 31, 2015.

(6) This amount rounds to zero, but there was a debt outstanding balance of \$9,270.05 at March 31, 2015.

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

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The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans follow, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. In practice, this means the GAAP-basis Financial Plans reflect the accrual methodology and fund classification rules used by OSC. A table reflecting GAAP basis General Fund Financial Plan projections is provided below.

In FY 2016, the General Fund GAAP Financial Plan shows total projected revenues of \$51.6 billion, total projected expenditures of \$64.2 billion, and net other financing sources of \$8.9 billion, resulting in a projected operating deficit of \$3.8 billion. However, when the operating results are adjusted for the anticipated transfer of \$4.55 billion to a dedicated capital infrastructure fund, the result is a projected operating surplus of \$797 million. These projections reflect the net impact of the Enacted Budget gap-closing actions.

Please see "Prior Fiscal Years — GAAP-Basis Results for Prior Fiscal Years" for a summary of recent audited operating results.

GAAP FINANCIAL PLAN GENERAL FUND FY 2016 THROUGH FY 2019 (millions of dollars)				
	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Revenues:				
Taxes:				
Personal Income Tax	31,722	34,223	36,278	36,450
Consumption/Use Taxes	6,600	6,914	7,165	7,440
Business Taxes	6,033	5,893	5,914	6,069
Other Taxes	1,005	928	883	912
Miscellaneous Receipts	6,207	5,214	4,876	4,643
Federal Receipts	0	0	0	0
Total Receipts	51,567	53,172	55,116	55,514
Expenditures:				
Local Assistance Grants	44,734	47,579	49,938	52,495
Departmental Operations	12,553	12,498	12,754	12,627
General State Charges	6,953	7,751	8,250	8,676
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Disbursements	64,240	67,828	70,942	73,798
Other Financing Sources (Uses):				
Transfers From Other Funds	19,163	19,203	19,726	19,855
Transfers To Other Funds	(10,243)	(6,132)	(6,551)	(6,619)
Proceeds From Financing Arrangements/ Advance Refundings	0	0	0	0
Net Other Financing Sources (Uses)	8,920	13,071	13,175	13,236
Operating Surplus/(Deficit)	(3,753)	(1,585)	(2,651)	(5,048)
Adjusted for Monetary Settlements*				
Adjusted Operating Surplus/(Deficit)	797			
*Fiscal year 2016 reflects the impact of monies received from monetary settlements (\$5.40 billion received in FY 2015). In FY 2016, the Financial Plan anticipates transferring \$4.55 billion to a dedicated capital infrastructure fund. Adjusted numbers are provided here for display purposes to reflect a GAAP perspective excluding these extraordinary revenues.				
Source: NYS DOB.				

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Exhibit D to AIS - Principal State Taxes and Fees

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Personal income taxes are imposed on the New York source income of individuals, estates and trusts. Personal income taxes accounted for roughly 62 percent of All Government Funds tax receipts during FY 2015. The State tax adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal PIT purposes, with certain modifications. Receipts from this tax are sensitive to changes in economic conditions in the State and to taxpayers' responses to Federal and State law changes. Beginning tax year 2013 and continuing through 2017, New York tax brackets and standard deduction amounts are indexed to the CPI. For Tax Year 2015, New York allows a standard deduction of \$15,850 for married couples filing jointly, with lower deductions for the other types of filers. New York also allows a \$1,000 exemption for dependents. The current rate structure, which includes eight brackets with rates ranging between 4 percent and 8.82 percent, had been set to expire following tax year 2014, but FY 2014 Budget legislation extended these rates for an additional three years. After tax year 2017, the tax rates are scheduled to revert to the pre-2009 schedule of five tax intervals, ranging from 4 percent to 6.85 percent, but the remaining bracket ranges are set to maintain all CPI-based adjustments made through 2017.

Beginning in tax year 2009, taxpayers with incomes above \$1 million are limited to deducting 50 percent of their Federal charitable contributions as their only New York itemized deduction. For tax years 2010 through 2017, taxpayers with incomes above \$10 million may deduct only 25 percent of their Federal charitable contributions deductions as their only itemized deduction. The latter limitation had originally been set to expire after 2012, but the limitation was extended pursuant to enacted budget legislation included with both the FY 2014 and FY 2016 budgets.

New York also allows several credits against the tax. The most significant are the: Empire State Child Credit (generally equal to one-third of the Federal child tax credit), household credit, credit for taxes paid to other states, investment tax credit, various Empire Zone and Excelsior Jobs Program credits, Brownfields credits, child and dependent care credit, real property tax circuit breaker credit, earned income tax credit, long-term care insurance credit, and college tuition credit.

For tax years 2014 through 2016, qualifying taxpayers are able to claim the Family Tax Relief Credit, which provides a credit of \$350 to resident taxpayers with 1) positive liability, 2) at least one dependent under the age of 17, and 3) adjusted gross income between \$40,000 and \$300,000.

Legislation enacted as part of the FY 2015 budget provides a "real property tax freeze credit" to taxpayers who are STAR recipients or otherwise would be STAR-eligible. The credit is applicable against school district and municipal taxes levied outside of the City of New York by jurisdictions that keep property tax growth at or below the State property tax cap. Credits against school tax increases were first provided for the 2014-15 school year and will be provided again for the 2015-16 school year. Credits against all other municipal taxes will be provided in 2015 and 2016. The freeze credit is sent as an advance payment, with the majority of payments occurring in the fall of each year.

In 2001, legislation was enacted to provide for the issuance of State PIT Revenue Bonds, which has become the primary financing vehicle for a broad range of existing State-supported debt

programs previously secured by service contract or lease-purchase payments. The first bonds were issued in May 2002. The legislation provided that 25 percent of PIT receipts (excluding refunds owed to taxpayers and deposits to the STAR Fund) be deposited to the RBTF for purposes of making debt service payments on the bonds, with excess amounts transferred to the General Fund. Legislation enacted with the FY 2008 Budget provided that the RBTF will be calculated based on 25 percent of PIT receipts (excluding refunds owed to taxpayers, but before deposits to the STAR fund).

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

User taxes and fees consist of several taxes on consumption, the largest of which is the State sales and compensating use tax. The *sales and use tax* is imposed, in general, on the receipts from the sale of all tangible personal property unless specifically exempted, and all services are exempt unless specifically enumerated. The current State sales tax rate is 4 percent, of which 50 percent of receipts is deposited in the General Fund, 25 percent is deposited in the Local Government Assistance Tax Fund and 25 percent is deposited in the Sales Tax Revenue Bond Fund. Receipts in excess of debt service requirements are transferred back to the General Fund.

Although there are numerous exemptions, the most significant are: food; clothing and footwear items costing less than \$110 (also see discussion below); drugs; medicine and medical supplies; residential energy; capital improvements and installation charges; machinery and equipment used in manufacturing; trade in allowances; and goods sold to Federal, State or local governments. The following discussion summarizes significant revenue actions taken since 2008.

Legislation enacted in 2008 required non-profit tax-exempt organizations to collect sales tax on retail sales and rentals or leases of tangible personal property, required all vendors to register and created an evidentiary presumption that certain sellers using New York residents to solicit sales in the State are vendors required to collect sales and use tax.

Legislation enacted in 2009 expanded the definition of "affiliate nexus," imposed the sales tax on certain transportation services and narrowed the exemption for commercial aircraft and the use tax exemption for motor vehicles and vessels.

Legislation enacted in 2010 temporarily eliminated the State sales and use tax exemption on items of clothing and footwear priced under \$110 for the period October 1, 2010 through March 31, 2011. From April 1, 2011 through March 31, 2012, the State exemption was \$55; thereafter, the \$110 exemption was reinstated. Additional legislation clarified that hotel room remarketers were required to collect sales and use tax, repealed the vendor credit for monthly filers, repealed provisions allowing private label credit cards to claim a credit for uncollectible debts, narrowed affiliate nexus provisions, and exempted certain New York City livery services from the tax.

Legislation enacted in 2011, and extended in 2012 and 2013, authorized various tax modernization initiatives.

Legislation enacted in 2013 provided for the suspension or restriction of a NYS driver's license for certain tax delinquencies; placed restrictions on certain Industrial Development Agencies (IDA) projects and included a claw-back benefit provision; and established the START-UP NY program.

Legislation enacted in 2014 increased the exemption threshold for certain items purchased from vending machines from \$0.75 to \$1.50.

Legislation passed in 2015 capped the tax on the sale or use of a vessel at the first \$230,000 of purchase price, and made such tax due at the time of DMV registration (90-days); exempted private aircraft; provided for a transition period for certain dissolutions resulting directly from Federal Dodd-Frank regulatory requirements; expanded the exemption for alcoholic beverage tastings to include additional alcohol types and permissible off-premises tastings; clarified that taxable pre-paid mobile purchases are sourced to the location of the sale; and provided an exemption for certain solar panel purchase agreements.

The State imposes a *tax on cigarettes* at the rate of \$4.35 per package of 20 cigarettes and imposes a *tax on other tobacco products* equal to 75 percent of the wholesale price. The tax on cigarettes was raised from \$1.50 per pack to \$2.75 on June 3, 2008, and to \$4.35 per pack on July 1, 2010. The revenue derived from the tax is split, with 24 percent of receipts deposited in the General Fund and the balance deposited in the Tobacco Control and Insurance Initiatives Pool established by the Health Care Reform Act of 2000. In 2008, certain tobacco products were converted from price-based to weight-based taxes. The tobacco products tax was raised from 37 percent of the wholesale price to 46 percent in April 2009, and to 75 percent in August 2010. Legislation enacted in 2011 changed the annual fees imposed on retailers from a graduated structure based on gross sales to a flat \$300 per retailer (\$100 per vending machine). Legislation enacted in 2013 increased the penalty for the possession of unstamped or illegally stamped cigarettes from \$150 per carton to \$600 per carton to reflect increases in the tax rate that have occurred since this penalty was last increased.

Motor fuel and *diesel motor fuel taxes* are levied at 8 cents per gallon upon the sale, generally for highway use, of gasoline and diesel fuel. All motor fuel taxes have been deposited in the dedicated transportation funds since April 1, 2001. Legislation enacted in 2008 allows the Commissioner of Taxation and Finance to work and enter into an agreement with transportation-related agencies to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized motor fuel, diesel motor fuel and e-85 definitions to reflect changes in the fuels marketplace. Legislation passed in 2013 moved the incidence of diesel motor fuel taxation to the fuel terminal rack to essentially conform to the method used by the Federal government and 25 other states.

The State imposes *alcoholic beverage excise taxes* at various rates on liquor, beer, wine and specialty beverages. Legislation enacted in 2009 increased the tax rate on beer to 14 cents per gallon and increased the tax rate on wine to 30 cents per gallon. Legislation enacted in 2012 removed an unconstitutional exemption provided to certain small beer brewers, and replaced the

benefit with personal and business tax credits that yield similar tax relief to small brewers that produce in New York State.

The *highway use tax* revenue is derived from three sources: the truck mileage tax, related highway use permit fees and the fuel use tax. The truck mileage tax is levied on commercial vehicles, at rates graduated by vehicle weight, based on miles traveled on State highways. Highway use registration certificates (original or renewed) are \$15. The fuel use tax is an equitable complement to the State's motor fuel tax and sales tax paid by those who purchase fuel outside but consume it in New York. It is levied on commercial vehicles having three or more axles or a gross vehicle weight of more than 26,000 pounds. Currently, all collections from the highway use tax are deposited in the DHBTF. Legislation enacted in 2007 replaced the current highway use permit system with a registration system. Legislation enacted in 2009 reauthorized the Commissioner of the Department of Taxation and Finance to require highway use tax decals on the exterior of all vehicles, and increased the decal renewal fee from \$4 to \$15 per vehicle. Legislation passed in 2013 clarified that the highway use tax exemption for fuel used by farmers applies also to certain entities related to such farmers so long as they are actually engaged in farming.

The State imposes an *auto rental tax* on charges for the rental or use in this State of a passenger car with a gross vehicle weight of 9,000 pounds or less. Receipts are deposited in the DHBTF. Legislation enacted in 2009 increased this tax rate from 5 percent to 6 percent and also imposed a supplemental tax of 5 percent in the MCTD. Monies from this supplemental tax are deposited in the MTA Aid Trust Account of the MTA Financial Assistance Fund.

Business taxes include a general business corporation franchise tax as well as specialized franchise taxes on insurance companies, certain transportation and transmission companies, and a cents per gallon based levy on businesses engaged in the sale or importation for sale of various petroleum products. The discussion below describes each tax and summarizes recent significant enacted legislation.

The *corporation franchise tax* is the largest of the business taxes, and the State's third largest source of revenue. It is imposed on all domestic general business corporations and foreign general business corporations which do business or conduct certain other activities in the State. The tax is imposed, generally, at a rate of 7.1 percent (6.5 percent effective January 1, 2016) of taxable income allocated to New York. Taxable income is defined as Federal taxable income with certain modifications. The tax includes two other bases: the capital and fixed dollar minimum. The taxpayer must pay under the base which produces the highest tax.

Legislation enacted in 2007 provided that taxpayers operating on a unitary basis file a combined report if substantial inter-corporate transactions occur amongst affiliates; lowered the rate on Entire Net Income (ENI) to 7.1 percent for general businesses and to 6.5 percent for manufacturers; lowered the alternative minimum tax rate to 1.5 percent; and closed the real estate investment trust loophole.

Legislation enacted in 2008 restructured minimum taxes on corporations and the capital base tax; decoupled New York State from the Federal Qualified Production Activity Income (QPAI)

deduction provided under Internal Revenue Code section 199 and established a voluntary disclosure and compliance initiative program to encourage eligible taxpayers to enter into compliance agreements with the Department of Taxation and Finance.

Legislation enacted in 2009 made changes to the tax treatment of captive insurance companies by providing special rules for overcapitalized captive insurance companies. Additionally, for-profit Health Maintenance Organizations (HMOs) were taxed under the insurance tax. Previously they were taxed under the corporation franchise tax.

In 2010, legislation was enacted that deferred certain business related tax credits by requiring taxpayers to defer tax credits greater than \$2 million for tax years 2010 through 2012. Taxpayers are eligible to claim the deferred tax credits starting with tax year 2013. The Excelsior Jobs Program was established to provide incentives based on job creation, investment and research and development expenditures in New York State.

Legislation enacted in 2011 extended the financial services investment tax credit for an additional four years to October 1, 2015; enhanced the Excelsior Jobs Program; extended the Federal Gramm-Leach-Bliley Act transition provisions for an additional two years; and created the Economic Transformation and Facility Redevelopment Program to provide tax credits to businesses that moved into communities impacted by correctional and youth facility closures.

Legislation enacted in 2012 extended and amended the Gramm-Leach-Bliley provisions through tax year 2014. The amendment to the Gramm-Leach-Bliley provisions requires that a corporation previously taxed as a bank under Gramm-Leach-Bliley be taxed as a bank only if it meets the current law definition of a bank.

Legislation enacted in 2013 made technical corrections to address a royalty income loophole; provided a phased-in manufacturing tax rate reduction of 25 percent when fully phased in effective tax year 2018; created a refundable tax credit for the hiring of unemployed veterans released from active duty after September 11, 2001; created a refundable tax credit for Tax Years 2014 through 2018 for a portion of the minimum wage paid to students age 16-19; extended and expanded the Youth Works Tax Credit at \$6 million per year for four years through 2017; and created the New York Innovation Hot Spots Program for start-up businesses. Legislation enacted in 2013 also created the Charge NY Electric Vehicle Recharging Equipment tax credit by allowing a credit up to \$5,000 per station for electric recharging or alternative fuel vehicle refueling equipment. The film tax credit was extended to provide an additional \$420 million per year, allocated for tax years 2015 through 2019. The post-production portion of this allocation was increased from \$7 million to \$25 million. The film tax credit legislation also included an upstate credit enhancement, inclusion of relocated variety or talk shows, a visual effects and animation post-production enhancement, and additional reporting requirements. Additionally, the START-UP NY program was established at the end of the 2013 legislative session. This program generally provided tax free operation for businesses that locate within tax-free NY areas and additional employee tax benefits for ten years.

In 2014, legislation was enacted to implement comprehensive corporate tax reform for tax years beginning on or after January 1, 2015. Corporate tax reform modernizes and simplifies the

corporate tax structure, merges the bank tax with the corporate franchise tax, reduces the corporate tax rate on entire net income from 7.1 percent to 6.5 percent and phases out the capital base tax over six years beginning for tax years on or after January 1, 2016. The corporate tax rate for manufacturers is reduced to zero percent beginning for tax years on or after January 1, 2014. A real property tax credit is established for manufacturers, a new musical theater tax credit is established as well as a tax credit for businesses that employ individuals with developmental disabilities, four correctional facilities slated for closure in July 2014 are eligible to participate in the START-UP NY program and the MTA surcharge is made permanent.

In 2015, legislation was enacted to enhance the Excelsior Jobs Program by allowing certain entertainment companies to be eligible for tax credits under the program. Additionally, the production or post-production of video games and music production are qualified activities eligible for the Excelsior Jobs Program. The Employer Training Incentive Program (ETIP) Tax Credit was created that allows for up to \$5 million in tax credits from the Excelsior Jobs Program funding. Tax credits under the Urban Youth Jobs Program (formerly known as the Youth Works Tax Credit Program) were expanded by \$10 million per year for allocation years 2015 through 2017 and two regional airports are now eligible to participate in the START-UP NY program.

Receipts from the *corporation and utilities taxes* are primarily attributable to taxes imposed on transportation and transmission companies, utility services and telecommunication services.

Legislation enacted in 2011 replaced the expiring Power for Jobs Program with the “Recharge New York” program. At the end of the 2013 legislative session, LIPA was restructured. As part of the restructuring, LIPA is not required, effective January 1, 2014, to remit a gross receipts payment under Tax Law Section 186. They continue to be required to remit the MTA surcharge under Section 186-b. Legislation in 2014 repealed the Section 185 tax on agricultural co-operatives for tax years beginning on or after January 1, 2018 and eliminates the organization tax (Section 180) and the license and maintenance fees (Section 181) as part of corporate tax reform.

Legislation enacted in 2015 increased the rate on wireless telecommunication companies under Tax Law Section 186-e from 2.5 percent to 2.9 percent. This incremental increase was necessary to preserve revenue as Section 184 of the Tax Law ceased to apply to these companies.

Insurance taxes are imposed on insurance corporations, insurance brokers and certain insured that operate in New York State. Non-life insurers are subject to a premiums tax. Accident and health premiums are taxed at the rate of 1.75 percent and all other premiums are taxed at the rate of 2 percent. The insurance tax on life insurers ranges from 1.5 percent to 2 percent of premiums after taking into account the tax on income allocated to New York State. Other taxes are imposed on certain brokers and independently procured insurance.

Legislation enacted in 2007 lowered the rate on ENI to 7.1 percent for life insurers. In 2009, legislation was enacted that clarified that captive insurance companies receiving 50 percent or less of their gross receipts from insurance premiums must file a combined return with their closest affiliated taxpayer, and imposed a 1.75 percent premiums tax on for-profit HMOs. Previously, for-profit HMOs were taxed under the corporate franchise tax.

Legislation enacted in 2011 conformed the taxes on executive lines and direct writings with requirements enacted in the 2010 Federal Dodd-Frank financial reform legislation.

The State imposed a *franchise tax on banking corporations* at a basic tax rate of 7.1 percent of entire net income with certain exclusions, and subject to special rates for institutions with three other tax bases similar to the *corporate franchise tax* until December 31, 2014. Beginning with tax years on and after January 1, 2015, all former bank taxpayers are now subject to tax under the corporate franchise tax.

The State imposes a *petroleum business tax* on the privilege of operating a petroleum business in the State. This tax is measured by the quantity of various petroleum products imported into the State for sale or use. The tax is imposed at various cents per gallon rates depending on the type of petroleum product. The cents per gallon tax rates are indexed to reflect petroleum price changes but are limited to changes of no more than 5 percent of the tax rate in any one year. Legislation enacted in 2008 allowed the Commissioner of Taxation and Finance to work and enter into an agreement with the DMV, DEC, Thruway Authority, NYS Bridge Authority, and the Port Authority of New York and New Jersey to use technology to reduce the bootlegging of fuel. Legislation enacted in 2011 modernized fuel definitions to adapt the petroleum business taxes to Federal and State statutory and regulatory changes that address certain environmental concerns. Legislation enacted in 2013 provided volunteer ambulance and volunteer fire departments with a reimbursement of the PBT paid on motor fuel and diesel motor fuel purchased for use in their vehicles. Legislation enacted in 2015 clarified that qualifying farmers purchasing taxable diesel can claim a refund if the fuel is ultimately used for an exempt purpose (i.e., farming).

Other tax revenues include taxes on pari-mutuel wagering, the estate tax, taxes on real estate transfers, the Metropolitan Commuter Transportation Mobility Tax, certain other minor taxes, and residual receipts following the repeal of the real property gains tax and the gift tax.

The State imposes an *estate tax* on the estates of deceased New York residents, and on that part of a nonresident's net estate made up of real and tangible personal property located within New York State. Legislation enacted in 2014 comprehensively reforms the Estate tax to decouple from Federal law. The unified threshold of \$1 million is increased to \$5,250,000 in the form of credit in four phases by April 1, 2017. The basic threshold will equal the Federal basic threshold amount with annual indexing for those dying on or after January 1, 2019. The applicable credit is reduced for New York taxable estates exceeding the basic threshold amount and equals zero for those exceeding one hundred five percent of such amount. Gifts taxable under Section 2053 of the Internal Revenue Code that were not otherwise included in Federal Gross Estate and that were made during the three years ending on the date of death must be added to the New York Gross Estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014, or after January 1, 2019, are not included. Reflecting the composition of many decedents' estates in New York, collections of this tax are influenced at least in part by fluctuations in the value of common stock.

The *real estate transfer tax* applies to each real property conveyance, subject to certain exceptions, at a rate of \$2 for each \$500 of consideration or fraction thereof. Pursuant to statute,

beginning in State FY 2008, \$212 million of RETT receipts are deposited in the Environmental Protection Fund (EPF) and the remaining receipts are deposited in the Clean Water/Clean Air (CW/CA) Debt Service Fund. In FY 2009, \$237 million was deposited into the EPF, and \$199 million was deposited in FY 2010. Receipts in excess of the debt service requirements are transferred back to the General Fund. The FY 2011 Enacted Budget reduced the statutorily fixed deposit to the EPF from \$199.3 million to \$119.1 million.

The Metropolitan Commuter Transportation Tax (MCTMT) is imposed on certain employers and self-employed individuals engaging in business within the Metropolitan Commuter Transportation District (MCTD). The MCTD consists of New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. Revenues generated from the mobility tax are directed to the Mobility Tax Trust Account of the MTA Financial Assistance Funds. For self-employed individuals, the MCTMT applies at a rate of 0.34 percent against self-employment earnings that are allocated to the MCTD. Individuals with annual self-employment income below \$50,000 are exempt. The tax rate for employers varies between 0.11 percent and 0.34 percent, depending on quarterly payroll size. Employer payroll exemptions exist for 1) employers with quarterly payroll below \$312,500; 2) elementary schools and secondary schools; and 3) instrumentalities of the United States, the United Nations and interstate agencies or public corporations created under an agreement or compact with another state or Canada. FY 2016 Enacted Budget legislation includes an additional exemption for all public and free association libraries.

The State levies *pari mutuel* taxes on wagering activity conducted at horse racetracks, simulcast theaters and off track betting parlors throughout the State. Legislation enacted in 2008, and extended annually since, reinstated lower 2005 pari-mutuel tax rates. In addition to pari mutuel taxes, a 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters, and a 3 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights.

Miscellaneous receipts and other revenues include various fees, fines, tuition, license revenues, lottery revenues, investment income, assessments on various businesses (including healthcare providers), and abandoned property. Miscellaneous receipts also include minor amounts received from the Federal government and deposited directly in the General Fund. Effective April 1, 2010, OSC classified motor vehicle and alcohol license fees as miscellaneous receipts. Legislation enacted in 2008 revised the distribution of video lottery receipts to provide different commissions to the Video Lottery Gaming (VLG) facilities based on factors including: size of the facility; population surrounding the facility; and proximity to Native American and out-of-state casinos. In addition, tracks were provided a capital allowance for capital expenditures to enhance their facilities. Legislation enacted in 2009 increased the real property transfer fee, the 18-A utility assessment, and the notification fee for asbestos projects; expanded the bottle deposit; and authorized the Lottery to enter more than one multi-jurisdictional lottery association. Legislation enacted in 2010 reduced dormancy periods on undelivered goods and money orders and increased various civil court filing fees, made the Lottery's authorization to operate the Quick Draw lottery game permanent, removed the restrictions on the number of hours Quick Draw could be operated, removed the sunset on the VLG Program, increased the hours that VLTs may be operated to 20 hours from 16 hours (but no later than 4 a.m.) and reduced the

vendor commission by one percent of net machine income. Legislation enacted in 2011 reduced the dormancy period on 14 items from five or six years to three, authorized VLG facilities to provide free game credits that are excluded from net machine income (“free-play”) as a marketing tool capped at 10 percent of the net machine income at that facility, increased the number of instant games with a 75 percent prize pay-out from three to five new games per year, allowed the Lottery to have up to a 55 percent prize-payout on multi-jurisdictional games, and allowed Lottery to offer progressive jackpots (a cash prize that grows larger until won) for certain VLGs. Legislation enacted in 2012 removed the restriction that at least 25 percent of an establishment’s revenue be from food sales in order to host the Quick Draw lottery game. Legislation enacted in 2013 extended the operator’s commission rate at Monticello, first enacted in 2008, for a one-year period. Legislation enacted in 2014 accelerated the phase-out of the 18-a temporary assessment, extended Monticello VLT rates for one year, and extended the VLG Vendor’s Capital Awards Program for one year.

Alcohol license fees are imposed on those who sell alcoholic beverages in New York. The fees vary depending on the type and location of the establishment or premises operated by the licensee, as well as the class of beverage for which the license is issued. In 2008, legislation to allow seven day liquor sales was made permanent.

Motor vehicle fees are derived from a variety of sources, including motor vehicle registration fees and driver licensing fees, which together account for most motor vehicle fee revenue. Legislation enacted in 2008 implemented the Western Hemisphere Travel Initiative (WHTI) which offered Federally-compliant driver’s licenses and non-driver ID cards. Legislation enacted in 2009 included increases of approximately 25 percent for vehicle registrations and licenses. Legislation enacted in 2011 clarified that non-dedicated motor vehicle fees include assessments and fines. Legislation enacted in 2014 simplifies the fund distribution of motor vehicle fee receipts. This simplification has no revenue impact on any funds involved.

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Exhibit E to AIS - Glossary of Financial Terms

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The following glossary, which is an integral part of this AIS, includes certain terms that are used herein and are intended for use only in connection with the entire AIS.

Appropriation: An appropriation is a statutory authorization against which liabilities may be incurred during a specific year, and from which disbursements may be made, up to a stated amount, for the purposes designated. Appropriations generally are authorizations, rather than mandates, to spend, and disbursements from an appropriation need not, and generally do not, equal the amount of the appropriation. An appropriation represents maximum spending authority. Appropriations may be adopted at any time during the fiscal year.

Bond Anticipation Note or BANs: A bond anticipation note is a short-term obligation, the principal of which is paid from the proceeds of the bonds in anticipation of which such note is issued.

Business-type Activities: “Business-type activities” describe those operations that are financed in whole or in part by fees charged to external parties for goods or services. These activities are usually reported in enterprise funds and include the Lottery, Unemployment Insurance Benefit, SUNY and CUNY senior colleges.

Capital Projects Funds: Capital Projects Funds, one of the four GAAP-defined governmental fund types, account for financial resources of the State to be used for the acquisition or construction of major capital facilities (other than those financed by Special Revenue Funds (SRFs), Proprietary Funds and Fiduciary Funds).

Cash Basis Accounting: Accounting, budgeting and reporting of financial activity on a cash basis results in the recording of receipts at the time money or checks are deposited in the State Treasury and the recording of disbursements at the time a check is drawn, regardless of the fiscal period to which the receipts or disbursements relate.

Community Projects Fund: The State created this fund within the General Fund in 1996 to finance certain community projects for the Legislature and the Governor. The State transfers moneys from other General Fund accounts into the Community Projects Fund, as provided by law. Spending out of the Community Projects Fund is governed by specific appropriations for each account in the Fund, but cannot exceed the cash balance for that account.

Contingency Reserve Fund: This fund was established in 1993 to assist the State in financing the costs of any extraordinary known or anticipated litigation. Deposits to this fund are made from the General Fund.

Contractual-Obligation Financing: Contractual-obligation financing is an arrangement pursuant to which the State makes periodic payments to a public benefit corporation under a contract having a term not less than the amortization period of debt obligations issued by the public benefit corporation in connection with such contract. Payments made by the State are used to pay debt service on such obligations and are subject to annual appropriation by the Legislature and the availability of moneys to the State for the purposes of making contractual payments.

Debt Reduction Reserve Fund or DRRF: The State created the DRRF in 1998 to accumulate surplus revenues to pay debt service costs on State-supported bonds, retire or defease such bonds, and to finance capital projects. Use of DRRF funds requires an appropriation.

Debt Service: Debt service refers to the payment of principal and interest on bonds, notes, or other evidences of indebtedness, including interest on BANs and TRANS, in accordance with the respective terms thereof.

Debt Service Funds: DSFs, one of the four GAAP-defined governmental fund types, account for the accumulation of resources (including receipts from certain taxes, transfers from other funds and miscellaneous revenues, such as dormitory room rental fees, which are dedicated by statute for payment of lease-purchase rentals) for the payment of general long-term debt service and related costs and payments under lease-purchase and contractual-obligation financing arrangements.

Disbursement: A disbursement is a cash outlay and in the General Fund includes transfers to other funds.

Executive Budget: The Executive Budget is the Governor's constitutionally mandated annual submission to the Legislature which contains his recommended program for the forthcoming fiscal year. The Executive Budget is an overall plan of recommended appropriations. It projects disbursements and expenditures needed to carry out the Governor's recommended program and receipts and revenues expected to be available for such purpose. The recommendations contained in the Executive Budget serve as the basis for the State Financial Plan (defined below) which is adjusted after the Legislature acts on the Governor's submission. Under the State Constitution, the Governor is required each year to propose an Executive Budget that is balanced on a cash basis.

Expenditure: An expenditure, in GAAP terminology, is a decrease in net financial resources as measured under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term expenditure to refer to a cash outlay or disbursement.

Expenses: Expenses, in GAAP terminology, are a decrease in net financial resources as measured in the government-wide financial statements under the accrual basis of accounting.

Fiduciary Funds: Fiduciary Funds refers to a GAAP-defined fund type which accounts for assets held by the State in a trustee capacity or as agent for individuals, private organizations and other governmental units and/or other funds. These funds are custodial in nature and do not involve the measurement of operations. Although the Executive Budget for a fiscal year generally contains operating plans for Fiduciary Funds, and their results are included in the Comptroller's GAAP-based financial statements, they are not included in the State Financial Plan.

Financial Plan: see State Financial Plan.

Fiscal Year: The State's fiscal year commences on April 1 and ends on March 31. The term fiscal year refers to the fiscal year of the State unless the context clearly indicates otherwise.

Fund Accounting: The accounts of the State are presented on the basis of GAAP funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GAAP: GAAP refers to generally accepted accounting principles for state and local governments, which are the uniform minimum standards of and guidelines for financial accounting and reporting prescribed by GASB. GAAP requires that the government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when they become both measurable and available to finance expenditures. Expenditures and related liabilities are recognized in the accounting period they are incurred to the extent they are expected to be paid within the next 12 months, under the modified accrual basis of accounting.

General Fund: The General Fund, one of the four GAAP-defined governmental fund types, is the major operating fund of the State and receives all receipts that are not required by law to be deposited in another fund, including most State tax receipts and certain fees, transfers from other funds and miscellaneous receipts from other sources.

General Obligation bonds: Long-term obligations of the State, used to finance capital projects. These obligations must be authorized by the voters in a general election, are issued by the Comptroller, and are backed by the full faith and credit of the State. Under current provisions of the Constitution, only one bond issue may be put before the voters at each general election, and it must be for a single work or purpose. Debt service must be paid from the first available taxes whether or not the Legislature has enacted the required appropriations for such payments.

General State Charges: Costs mandated by statute or court decree or by agreements negotiated with employee unions for which the State is liable, including: pensions; health, dental and optical benefits; payments on behalf of State employees for Social Security; unemployment insurance benefits; employee benefit programs; court judgments and settlements; assessments for local improvements; and taxes on public lands.

Governmental Activities: Governmental activities describes those operations that are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues and are reported in the governmental funds.

Governmental Funds: Governmental funds refers to a category of GAAP-defined funds which account for most governmental functions and which, for the State, include four GAAP-defined governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds, and

Capital Projects Funds. The State's projections of receipts and disbursements in the governmental funds comprise the State Financial Plan.

Interfund Transfers: Under GAAP fund accounting principles, each fund is treated as a separate fiscal and accounting unit with limitations on the kinds of disbursements to be made. To comply with these limitations, moneys are moved from one fund to another to make them available for use in the proper fund, and are accounted for as "interfund transfers".

Lease-Purchase Financing: Lease-purchase financing is an arrangement pursuant to which the State leases facilities from a public benefit corporation or municipality for a term not less than the amortization period of the debt obligations issued by the public benefit corporation or municipality to finance acquisition and construction, and pays rent which is used to pay debt service on the obligations. At the expiration of the lease, title to the facility vests in the State in most cases. Generally, the State's rental payments are expressly subject to annual appropriation by the Legislature and availability of moneys to the State for the purposes thereof.

Local Assistance: Disbursements of State grants to counties, cities, towns, villages, school districts and other local entities, certain contractual payments to localities, and financial assistance to, or on behalf of, individuals and not-for-profit organizations.

Moral obligation debt: Long-term bonds issued by certain State public benefit corporations which are essentially supported by their own revenues. Moral obligation debt is not incurred pursuant to a referendum, is not State-supported debt, and is not backed by the full faith and credit of the State. However, the authorities selling such obligations have been allowed to establish procedures where, under certain conditions, the State may be requested to meet deficiencies in debt service reserve funds supporting such bonds. An appropriation must be enacted by the Legislature to meet any such request.

Official Statement: A disclosure document prepared to accompany an issuance of bonds, notes and certificates of participation offered for sale by the State or its public authorities. Its primary purpose is to provide prospective bond or note purchasers sufficient information to make informed investment decisions. It describes, among other things, the issuer, the project or program being financed and the security behind the bond issue.

PAYGO financing: The use of current State resources (as opposed to bonds or other borrowing) to finance capital projects. Also referred to as "hard dollar" financing.

Rainy Day Reserve Fund: This fund was created in 2007 to enhance the State's fiscal reserves. The fund, which may have a maximum balance equal to 3 percent of General Fund spending, may be used to respond to an economic downturn or catastrophic event, as defined by the enabling statute.

Receipts: Receipts consist of cash actually received during the fiscal year and in the General Fund include transfers from other funds.

Revenue Accumulation Fund: This fund holds certain tax receipts temporarily before their deposit into other funds.

Revenues: Revenues, in GAAP terminology, are an increase in net financial resources, as measured for the government-wide financial statements under the accrual basis of accounting and for the governmental funds under the modified accrual basis of accounting. In contexts other than GAAP, the State uses the term revenues to refer to income or receipts.

Short-Term Investment Pool or STIP: The combination of available cash balances in funds within the State Treasury on a daily basis for investment purposes.

Special Revenue Funds: SRFs, one of the four GAAP-defined governmental fund types, account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects), such as Federal grants, that are legally restricted to specified purposes.

State Financial Plan: The State Financial Plan sets forth projections of State receipts and disbursements in the governmental fund types for each fiscal year and is prepared by the Director of the Division of Budget, based initially upon the recommendations contained in the Executive Budget. After the budget is enacted, the State Financial Plan is adjusted to reflect revenue measures, appropriation bills and certain related bills enacted by the Legislature. It serves as the basis for the administration of the State's finances by the Director of the Budget, and is updated quarterly, or more frequently as necessary, during the fiscal year.

State Funds: "State funds" refer to a category of funds which includes the General Fund and all other State-controlled moneys, excluding Federal grants. This category captures all governmental disbursements except spending financed with Federal grants.

State-guaranteed debt: Debt authorized by the voters to be sold by three public authorities: the Job Development Authority, the New York State Thruway Authority, and the Port Authority of New York and New Jersey. State-guaranteed bonds issued for the Thruway Authority and the Port Authority were fully retired on July 1, 1995 and December 31, 1996, respectively. Such debt is backed by the full faith and credit of the State.

State Operations: Operating costs of State departments and agencies, the Legislature and the Judiciary, including salaries and other compensation for most State employees.

State-related debt: In this broad category, DOB combines all forms of debt for which the State is liable, either directly or on a contingent basis, including all State-supported debt and State-guaranteed and moral obligation debt.

State-supported debt: This category includes all obligations for which the State appropriates money that is used to pay debt service, including General Obligation debt, lease-purchase and contractual-obligation debt, including PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC and certificates of participation. While tax supported debt (obligations supported by State taxes) represents the majority of obligations in this category, obligations supported by other State revenues (such as dormitory fees or patient revenues) are also included.

Tax and Revenue Anticipation Notes or TRANS: Notes issued in anticipation of the receipt of taxes and revenues, direct or indirect, for the purposes and within the amounts of appropriations theretofore made.

Tax Refund Reserve Account: The tax refund reserve account is used to hold moneys available to pay tax refunds. During a given fiscal year, the deposit of moneys in the account reduces receipts and the withdrawal of moneys from the account increases receipts. There is no requirement that moneys withdrawn from this account be replaced.

Tax Stabilization Reserve Fund: This fund was created to hold surplus revenue that can be used in the event of any unanticipated General Fund deficit. Amounts within this fund can be borrowed to cover any year-end deficit and must be repaid within six years in no less than three equal annual installments. The fund balance cannot exceed two percent of General Fund disbursements for the fiscal year; contributions are limited to two-tenths of one percent of General Fund disbursements in that year.

Exhibit F to AIS - Glossary of Acronyms

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AAA	Area Agencies on Aging
ACA	Affordable Care Act
ACT	Assertive Community Treatment
ADW	Advanced Deposit Wagering
AG	Attorney General
AIG	American International Group, Inc.
AIM	Aid and Incentives for Municipalities
ALICO	American Life Insurance Company
AML	Anti-Money Laundering
AMTAP	Additional Mass Transportation Assistance Program
APCD	All-Payer Claims Database
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act of 2009
AXA	AXA Equitable Life Insurance Company
BAN	Bond Anticipation Note
BARBS	Building Aid Revenue Bonds
BEA	Bureau of Economic Analysis
BHP	Basic Health Plan
BIP	Balancing Incentive Program
BNPP	BNP Paribas, S.A., New York Branch
BOCES	Boards of Cooperative Educational Services
BofA	Bank of America
BSA	Bank Security Act
BTMU	Bank of Tokyo-Mitsubishi UFJ, Ltd.
CHIPs	Consolidated Local Street & Highway Improvement Program
CHP	Child Health Plus
CMS	Centers for Medicare and Medicaid Services
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CSEA	Civil Service Employees Association
CUNY	City University of New York
DA	District Attorney
DAB	Departmental Appeals Board
DANY	New York County District Attorney
DASNY	Dormitory Authority of the State of New York
DC-37	District Council-37
DCJS	Department of Criminal Justice Services
DDPC	Developmental Disabilities Planning Council
DEC	Department of Environmental Conservation
DelAm	Delaware American Life Insurance Company
DFS	Department of Financial Services
DHBTF	Dedicated Highway and Bridge Trust Fund
DIIF	Dedicated Infrastructure Investment Fund
DMV	Department of Motor Vehicles
DOB	Division of the Budget
DOCCS	Department of Corrections and Community Supervision
DOH	Department of Health
DOL	Department of Labor
DOS	Department of State
DOT	Department of Transportation
DRP	Deficit Reduction Plan
DRRF	Debt Reduction Reserve Fund
DS	Debt Service
DSHP	Designated State Health Program
DSP	Division of State Police
DSRIP	Delivery System Reform Incentive Payment

DTF	Department of Taxation and Finance
EFC	Environmental Facilities Corporation
EI	Early Intervention
EPIC	Elderly Pharmaceutical Insurance Coverage
ERS	Employees' Retirement System
ESD	Empire State Development
ETIP	Employee Training Incentive Program
FEMA	Federal Emergency Management Agency
FHP	Family Health Plus
FPG	Fortis Property Group
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GEA	Gap Elimination Adjustment
GLIP	Group Life Insurance Plan
GOER	Governor's Office of Employee Relations
GPHW	General Public Health Work
GSCs	General State Charges
GSEU	Graduate Student Employees Union
HCRA	Health Care Reform Act
HESC	Higher Education Services Corporation
HHS	Health & Human Services
IAAF	Interim Access Assurance Fund
ICF/IID	Intermediate Care Facilities for Individuals with Intellectual Disabilities
ICF/DD	Intermediate Care Facilities for Individuals with Developmental Disabilities
IPO	Initial Public Offering
IT	Information Technology
LGAC	Local Government Assistance Corporation
LICH	Long Island College Hospital
LIPA	Long Island Power Authority
LLC	Limited Liability Company
MA	Medicaid
MCTD	Metropolitan Commuter Transportation District
MMTOA	Metropolitan Mass Transportation Operating Assistance Account
MP-2014	Mortality Improvement Scale - MP-2014
MRT	Medicaid Redesign Team
MTA	Metropolitan Transportation Authority
MTACIF	Metropolitan Transit Assistance for Capital Investment Fund
NPS	Non-Personal Service
NYC	New York City
NYPA	New York Power Authority
NYRA	New York Racing Association
NYS	New York State
NYSAGI	New York State Adjusted Gross Income
NYSCOPBA	New York State Correctional Officers and Police Benevolent Association
NYSHIP	New York State Health Insurance Program
NYSLRS	New York State & Local Retirement System
NYSOH	New York State of Health
NYSPBA	The Police Benevolent Association of the New York State Troopers, Inc.
NYSTA	New York State Thruway Authority
NYU	New York University
OASAS	Office of Alcoholism and Substance Abuse Services
OCA	Office of Court Administration
OCFS	Office of Children and Family Services

OMH	Office of Mental Health
OPEB	Other Post-Employment Benefits
OPWDD	Office for People with Developmental Disabilities
OSC	Office of the State Comptroller
OTDA	Office of Temporary and Disability Assistance
PAYGO	Pay-As-You-Go
PBA	Police Benevolent Association
PBANYS	Police Benevolent Association of New York State
PBT	Petroleum Business Tax
PwC	PricewaterhouseCoopers LLP
PEF	Public Employees Federation
PFRS	Police and Fire Retirement System
PI	Personal Income
PIT	Personal Income Tax
PS	Personal Service
RBTF	Revenue Bond Tax Fund
RFP	Request for Proposals
SCB NY	Standard Chartered Bank, New York Branch
SEIT	Special Education Itinerant Teacher
SFY	School Fiscal Year
SHIN-NY	Statewide Health Information Network for New York
SIF	State Insurance Fund
SOF	State Operating Funds
SOFA	State Office for the Aging
SONYMA	State of New York Mortgage Agency
SPIF	State Parks Infrastructure Fund
SRO	State Special Revenue
SSI	Supplemental Security Income
STAR	School Tax Relief
STARC	Sales Tax Asset Receivable Corporation
STEM	Science, Technology, Engineering and Math
STIP	Short-Term Investment Pool
SUNY	State University of New York
SY	School Year
TA	Transit Authority
TANF	Temporary Assistance for Needy Families
TAP	Tuition Assistance Program
TIAA	Teachers Insurance and Annuity Association - College Retirement Equities Fund
TSCR	Tribal State Compact Revenue
UDSA	Utility Debt Securitization Authority
U.S.	United States
UUP	United University Professions
VLG	Video Lottery Gaming
VLT	Video Lottery Terminal
WCB	Workers' Compensation Board

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) GENERAL RESOLUTION

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “Resolution”). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. A copy of the General Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenue Fund shall mean the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as “State Personal Income Tax Revenue Bonds (General Purpose)” and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be a debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “State Personal Income Tax Revenue Bonds (General Purpose)”, shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a “Bond”. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Standard Resolution Provisions into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Standard Resolution Provisions as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Standard Resolution Provisions, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix “Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose)”

1. Revenue Fund,
2. Debt Service Fund,
3. Rebate Fund,
4. Bond Proceeds Fund,
5. Administrative Fund,
6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

Debt Service Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

1. The interest due on all Outstanding Bonds on such Interest Payment Date;
2. The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
3. The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
4. The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and
5. Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 504)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such

Series of Bonds and pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 505)

Bond Proceeds Fund

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer, shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the

preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Standard Resolution Provisions, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses, the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however,* that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created

by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, *provided* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to

the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bond or Bonds shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

Bond Counsel shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, Holder or Holder of Bonds, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

(4) If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(5) With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the

acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that*, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

- (a) The municipal obligations (i) are not subject to redemption prior to maturity or
- (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call

and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-c of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Resolution and referred to in the Resolution.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

- (a) Government Obligations,
- (b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,
- (c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if “primary reporting dealers” cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and

(m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are

pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;
2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;
3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and
4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Resolution to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date; provided, however, with respect to any Interest Payment Date for the Series 2015 Bonds, the Record Date shall be the last day of the calendar month preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Resolution.

Redemption Price shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury of the United States of America from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by Section 92-z.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said

future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;
2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;
3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;
4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;
5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;
6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;
7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;
9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;
10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;
11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;
12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;
13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;
14. The redemption provisions, if any, applicable to the Bonds of such Series;
15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;
16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;
17. Directions for the application of the proceeds of the Bonds of such Series;
18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;
19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and
20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

1. A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

2. (I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

3. A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph 1 above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement

Obligations) for all Authorized Issuers set forth in paragraph 2(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of this section and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

- (1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;
- (2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;
- (3) If Bonds to be refunded are to be deemed paid, either or both of
 - (i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and
 - (ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and
- (4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated

immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which

such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions “Supplemental Resolutions” and “Amendments”, and following a default under the caption “Defaults and Remedies; Defeasance”, except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the “Reimbursement Obligation”) solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a “Parity Reimbursement Obligation”. Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as “Bank Bonds.” Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent

from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Sections A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligations, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the

Resolution for the Bonds and Parity Reimbursement Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which

has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Resolution may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing

contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;
2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;
3. all Issuer Expenses for such State Fiscal Year;
4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;
5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;
6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and

provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under this section, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of this section.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the

State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of this section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any

assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of this section, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with this section. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of this section.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and
3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and
4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and
5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and
6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of this section and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in this section).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and
3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in this section). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than

ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an “Event of Default”, as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent

required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance

any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such

committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;
2. To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
3. To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;
5. To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;
6. To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;
7. To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;
8. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

9. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

10. To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

11. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

12. To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

13. To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

14. Notwithstanding the Resolution, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

15. To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

16. Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

17. To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

18. To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in the Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Resolution.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Resolution and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Resolution or the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in this section or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the Standard Resolution Provisions, to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as provided in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during

such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an “Event of Default”:

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

- (a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;
- (b) bring suit upon such Bonds;
- (c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or
- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Resolution are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and

interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

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

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section entitled "Extension of Payment of Bonds" in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the

principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with this section in the manner provided in the Standard Resolution Provisions. Neither Government Obligations or moneys deposited pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking

Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the

providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer. *(Section A-1311)*

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

APPENDIX C

FORM OF FINANCING AGREEMENT

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APPENDIX C

**CONFORMED COPY OF
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)
FINANCING AGREEMENT**

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the "Financing Agreement"), dated as of July 1, 2009, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution on April 29, 2009 (including Annex A thereto), and a Supplemental Resolution (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (General Purpose), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts

sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (General Purpose) Bond Anticipation Notes (“BANs”) in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in

any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without

any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the constitutional and statutory audit powers granted the State or any officer thereof, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary

to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any supplemental agreement entered into pursuant to this Section 5.3 in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the

issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

- If to the State: Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

- If to the Issuer: General Counsel
Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

State of New York

Director of the Budget

Dormitory Authority of the State of New York

Authorized Officer

Approval as to form:
Attorney General

By: _____

Date: _____

Approved:

By: _____
State Comptroller

Date: _____

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP, CO-BOND COUNSEL TO DASNY FOR THE SERIES 2015 BONDS

Upon delivery of the Series 2015 Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
28 LIBERTY STREET
NEW YORK, NEW YORK 10005

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

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”), have examined a record of proceedings relating to the issuance of the Authority’s \$1,043,650,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2015B (Tax-Exempt) (the “Series 2015B Bonds”), \$29,770,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2015C (Tax-Exempt) (the “Series 2015C Bonds”), and \$97,380,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2015D (Federally Taxable) (the “Series 2015D Bonds” and, together with the Series 2015B Bonds and the Series 2015C Bonds, the “Series 2015 Bonds”).

The Series 2015 Bonds are issued under and pursuant to the Dormitory Authority Act, the New York State Medical Care Facilities Finance Authority Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the “Act”), Part I of Chapter 383 of the Laws of New York of 2001, as amended (the “Enabling Act”), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2015-1 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 13, 2015 (the “Series 2015 Supplemental Resolution”). The Bond Resolution and the Series 2015 Supplemental Resolution are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the terms of the Bond Resolution, the Series 2015 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the

Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2015 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2015 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2015 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2015 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2015 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York, as supplemented (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2015B Bonds and the Series 2015C Bonds (collectively, the “Tax-Exempt 2015 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2015C Bond for any period during which the Series 2015C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2015C Bonds or a “related person,” (ii) interest on the Series 2015B 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, and (iii) interest on the Series 2015C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the New York State Department of Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation

(“OPRHP”), the New York State Education Department (“SED”), the New York State Department of Health (“DOH”), the New York State Olympic Regional Development Authority (“ORDA”), the New York State Office of Mental Health (“OMH”), the New York State Office for People with Developmental Disabilities (“OPWDD”), each voluntary agency that is receiving a loan from the Authority financed with proceeds of the Tax-Exempt 2015 Bonds (collectively, the “Voluntary Agencies”) and others, and we have assumed compliance, as applicable, by the Authority, SUNY, SUCF, DEC, OPRHP, SED, DOH, ORDA, OMH, OPWDD and the Voluntary Agencies with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt 2015 Bonds from gross income under Section 103 of the Code. For any Tax-Exempt 2015 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 Tax-Exempt 2015 Bonds.

7. Interest on the Series 2015D Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2015 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 2015 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 Tax-Exempt 2015 Bonds, or the exemption from personal income taxes of interest on the Series 2015 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 2015 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors’ rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2015B Bond, an executed Series 2015C Bond and an executed Series 2015D Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

FORM OF APPROVING OPINION OF BRYANT RABBINO LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2015 BONDS

Upon delivery of the Series 2015 Bonds, Bryant Rabbino LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

BRYANT RABBINO LLP
1180 AVENUE OF THE AMERICAS, SUITE 610
NEW YORK, NEW YORK 10036

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

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Dormitory Authority Act"), in connection with the issuance of the Authority's \$1,043,650,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2015B (Tax-Exempt) (the "Series 2015B Bonds"), \$29,770,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2015C (Tax-Exempt) (the "Series 2015C Bonds"), and \$97,380,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2015D (Federally Taxable) (the "Series 2015D Bonds" and, together with the Series 2015B Bonds and the Series 2015C Bonds, the "Series 2015 Bonds"). In such capacity, we have examined such laws and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2015 Bonds are authorized to be issued in accordance with and pursuant to the Constitution and the laws of the State, including the Dormitory Authority Act, the New York State Medical Care Facilities Finance Authority Act, being Chapter 392 of the Laws of New York of 1973, as amended, and the Health Care Financing Consolidation Act, being a part of Chapter 83 of the Laws of New York of 1995 (collectively, the "Act"), and Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act"), and the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the "Bond Resolution"), as supplemented by Supplemental Resolution 2015-1 Authorizing State Personal Income Tax Revenue Bonds (General Purpose), adopted by the Authority on May 13, 2015 (the "Series 2015 Supplemental Resolution"). The Bond Resolution and the Series 2015 Supplemental Resolution are herein collectively referred to as the "Resolutions". Unless otherwise stated, capitalized terms not defined herein shall have the meanings ascribed thereto in the Resolutions.

Pursuant to the Bond Resolution, (i) the Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution, and (ii) the Series 2015 Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, pursuant to the Enabling Act, all State Personal Income Tax Revenue Bonds issued under the Enabling Act by Authorized Issuers (as defined in the Enabling Act) for Authorized Purposes (as defined in the Enabling Act) are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State

Finance Law (the “Revenue Bond Tax Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2015 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2015 Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2015 Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2015 Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2015 Bonds.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York, as supplemented (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2015B Bonds and the Series 2015C Bonds (collectively, the “Tax-Exempt 2015 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”), except that no opinion is expressed as to such exclusion of interest on any Series 2015C Bond for any period during which the Series 2015C Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with proceeds of the Series 2015C Bonds or a “related person,” (ii) interest on the Series 2015B 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, and (iii) interest on the Series 2015C Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the State University of New York (“SUNY”), the State University Construction Fund (“SUCF”), the New York State Department of Environmental Conservation (“DEC”), the New York State Office of Parks, Recreation and Historic Preservation

("OPRHP"), the New York State Education Department ("SED"), the New York State Department of Health ("DOH"), the New York State Olympic Regional Development Authority ("ORDA"), the New York State Office of Mental Health ("OMH"), the New York State Office for People with Developmental Disabilities ("OPWDD"), each voluntary agency that is receiving a loan from the Authority financed with proceeds of the Tax-Exempt 2015 Bonds (collectively, the "Voluntary Agencies") and others, and we have assumed compliance, as applicable, by the Authority, SUNY, SUCF, DEC, OPRHP, SED, DOH, ORDA, OMH, OPWDD and the Voluntary Agencies with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Tax-Exempt 2015 Bonds from gross income under Section 103 of the Code. For any Tax-Exempt 2015 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 Tax-Exempt 2015 Bonds.

7. Interest on the Series 2015D Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2015 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 2015 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 Tax-Exempt 2015 Bonds, or the exemption from personal income taxes of interest on the Series 2015 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 2015 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2015B Bond, an executed Series 2015C Bond and an executed Series 2015D Bond and, in our opinion, the forms of said Bonds and their execution are regular and proper.

Very truly yours,

APPENDIX E

EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS

MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the “Agreement”), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

“*Annual Information*” shall mean the information specified in Section 3.

“*Authorizing Document*” shall mean the applicable Authorized Issuer’s State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

“*Authorized Issuer*” shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

“*Bonds*” shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

“*Comptroller*” shall mean the Comptroller of the State of New York.

“*Director*” shall mean the Director of the Budget of the State of New York.

“*DOB*” shall mean the Division of the Budget of the State of New York.

“*EMMA*” shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

“*Enabling Act*” shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

“*GAAP*” shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

“*GAAS*” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“*Holder*” or “*Bondholder*” shall mean a registered owner of any Bond or Bonds.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“*Rule 15c2-12*” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

“*State*” shall mean the State of New York, acting by and through the Director or the Comptroller.

“*Trustee*” shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

“*Underwriters*” shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120

days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;

- (10) release, substitution, or sale of property securing repayment of the securities, if material;
 - (11) rating changes;
 - (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.
- (b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an “obligated person” as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an “obligated person”, obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND" which shall include information relating to the following:*

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities", including, more specifically, information consisting of:*

(1) *for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in*

accordance with GAAP for at least the two most recent fiscal years for which that information is then- currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and

audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved

by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.


SECTION 12. Effective Date.

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

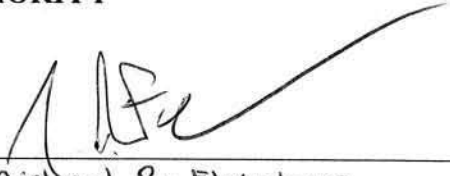
IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

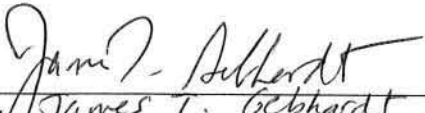
DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: 
Name: Portia Lee
Title: Managing Director

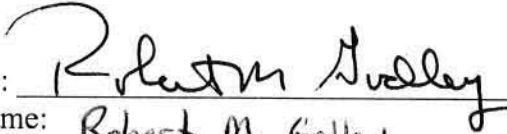
NEW YORK STATE THRUWAY AUTHORITY

By: 
Name: Michael R. Fleischer
Title: Executive Director


NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

By: 
Name: James T. Gebhardt
Title: Chief Financial Officer

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development Corporation

By: 
Name: Robert M. Godley
Title: Treasurer


NEW YORK STATE HOUSING FINANCE AGENCY

By: 
Name: Maryann Zucker
Title: President, Office of Finance & Development

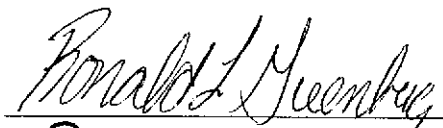
THE STATE OF NEW YORK

Obligated Person

By Thomas P. DiNapoli, Comptroller

By: 
Name: Monte P. Patton
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: 
Name: Ronald L. Greenberg
Title: First Deputy Director

TRUSTEES:

DEUTSCHE BANK TRUST COMPANY AMERICAS

*as Trustee for the benefit of certain Dormitory
Authority of the State of New York Bondholders*

By:  _____
Authorized Signatory

By:  _____
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Environmental Facilities Corporation Bondholders*

By:  _____
Authorized Signatory

DEUTSCHE BANK TRUST COMPANY AMERICAS

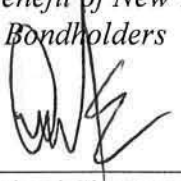
*as Trustee for the benefit of New York State
Housing Finance Agency Bondholders*

By:  _____
Authorized Signatory

By:  _____
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Thruway Authority Bondholders*

By:  _____
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Urban Development Corporation Bondholders*

By:  _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION
*as Trustee for the benefit of certain Dormitory
Authority of the State of New York Bondholders*

By: 
Authorized Signatory

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APPENDIX F

SUMMARY OF REFUNDED BONDS

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APPENDIX F

SUMMARY OF REFUNDED BONDS

The following are the State Personal Income Tax Revenue Bonds, Series 2006D (Education) that are expected to be refunded with a portion of the proceeds of the Series 2015D Bonds, together with other available funds as described in “PART 7—THE REFUNDING PLAN.”

CUSIP[†] Number	Maturity Date	Coupon	Outstanding Principal	Principal Refunded	Redemption Date	Redemption Price
649902JF1	03/15/2016	5.000%	\$ 16,500,000	\$ 440,000	Maturity	n/a
64990EZZ3	03/15/2017	5.000	12,125,000	450,000	09/15/2016	100%
64990EA23	03/15/2018	5.000	470,000	470,000	09/15/2016	100
64990EA31	03/15/2019	5.000	495,000	495,000	09/15/2016	100
64990EA49	03/15/2020	5.000	13,340,000	525,000	09/15/2016	100
64990EA56	03/15/2021	5.000	545,000	545,000	09/15/2016	100
64990EA64	03/15/2022	5.000	575,000	575,000	09/15/2016	100
64990EA72	03/15/2023	5.000	600,000	600,000	09/15/2016	100
64990EA80	03/15/2024	5.000	630,000	630,000	09/15/2016	100
64990EA98	03/15/2025	5.000	665,000	665,000	09/15/2016	100
64990EB22	03/15/2026	5.000	695,000	695,000	09/15/2016	100
64990EB48	03/15/2031	5.000	4,035,000	4,035,000	09/15/2016	100
64990EB63	03/15/2036	5.000	136,825,000	9,260,000	09/15/2016	100

The Refunded Bonds will be credited against the following mandatory redemption dates:

2031 Term Bond

Date	Amount
03/15/2027	\$ 730,000
03/15/2028	765,000
03/15/2029	805,000
03/15/2030	845,000
03/15/2031	890,000

2036 Term Bond

Date	Amount
03/15/2032	\$ 930,000
03/15/2033	980,000
03/15/2034	2,330,000
03/15/2035	2,450,000
03/15/2036	2,570,000

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

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**DORMITORY AUTHORITY OF THE STATE OF NEW YORK • STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE)
SERIES 2015B (TAX-EXEMPT), SERIES 2015C (TAX-EXEMPT) AND SERIES 2015D (FEDERALLY TAXABLE)**



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