NEW ISSUE **RATINGS:** See "RATINGS" herein

DASNY
DORMITORY AUTHORITY STATE OF NEW YORK

DAC Bond

$58,875,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
SECURED HOSPITAL REVENUE REFUNDING BONDS (Wyckoff Heights Medical Center), Series 2015

Dated: Date of Delivery **Due: As shown on the inside cover page**

Payment and Security: The Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015 (the "Series 2015 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority" or "DASNY"), payable solely from and secured by a pledge of (i) certain payments to be made under the Loan Agreement, dated as of December 10, 2014, between Wyckoff Heights Medical Center (the "Institution") and DASNY (the "Loan Agreement"), (ii) all funds and accounts (except the Arbitrage Rebate Fund) authorized under the Wyckoff Heights Medical Center Secured Hospital Revenue Bond Resolution, adopted by the Authority on December 10, 2014 (the "Resolution"), and the Series Resolution Authorizing Up To $70,000,000 Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015, adopted by the Authority on December 10, 2014 (the "Series Resolution"), and (iii) payments under a certain service contract dated the date of issuance of the Series 2015 Bonds (the "Service Contract") with the State of New York (the "State"). The obligation of the State to make payments under the Service Contract is subject to, and dependent upon, the making of annual appropriations by the State Legislature and the availability of monies to fund such payments.

The Loan Agreement is a general obligation of the Institution and requires such Institution to pay, in addition to the fees and expenses of the Authority and U.S. Bank National Association, as trustee and paying agent (the "Trustee"), amounts sufficient to pay the principal, Redemption Price of, and interest on, the Series 2015 Bonds, as such payments become due. The obligations of the Institution under the Loan Agreement to make such payments will be secured by a pledge of Gross Receipts of the Institution and a mortgage on the Institution's facilities comprising the Mortgaged Property.

The Series 2015 Bonds are not a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

Description: The Series 2015 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest (due August 15, 2015 and each February 15 and August 15 thereafter) on the Series 2015 Bonds will be payable by check or draft mailed to the registered owners thereof, or as otherwise provided in the Resolution. The principal, Redemption Price or Purchase Price of the Series 2015 Bonds will be payable at the principal corporate trust office of the Trustee and Paying Agent.

The Series 2015 Bonds will be issued initially under a Book-Entry Only System, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Individual purchases of beneficial interests in the Series 2015 Bonds will be made in book-entry form (without certificates). So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, payments of the principal, Redemption Price of, and interest on, such Series 2015 Bonds will be made directly to DTC or its nominee. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. *See* "PART 3 - THE SERIES 2015 BONDS - Book-Entry Only System" herein.

Purpose: The Series 2015 Bonds are being issued for the purposes of providing funds which, together with other available moneys, will be used to (i) refund and defease the Authority's outstanding Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 1998H issued by the Authority on February 26, 1998 under the Secured Hospital Program (as described herein), (ii) fund a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement, (iii) fund a Special Debt Service Reserve Fund in an amount equal to the Special Debt Service Reserve Fund Requirement, (iv) fund certain capital projects and acquire certain equipment approved by the Commissioner of the New York State Department of Health, and (v) pay the Costs of Issuance of the Series 2015 Bonds. *See* "PART 5 — PLAN OF REFUNDING" and "PART 6 — ESTIMATED SOURCES AND USES OF FUNDS".

Redemption: The Series 2015 Bonds are not subject to optional redemption but are subject to Special Redemption and State Extraordinary Redemption prior to maturity as more fully described herein.

Tax Matters: In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, based on existing statutes, regulations, court decisions and administrative rulings, and assuming compliance with the tax covenants described herein, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, Bond Counsel is of the opinion that interest on the Series 2015 Bonds is not an "item of tax preference" for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2015 Bonds is, however, included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that, based on existing statutes, interest on the Series 2015 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof. *See* "PART 12 - TAX MATTERS" herein regarding certain other tax considerations.

The Series 2015 Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2015 Bonds may be subject to prior sale or withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Harris Beach PLLC, New York, New York, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Institution by its counsel, Proskauer Rose LLP, New York, New York, and for the Underwriters by their counsel, Greenberg Traurig, LLP, New York, New York. The Authority expects to deliver the Series 2015 Bonds in definitive form in New York, New York, on or about January 22, 2015.

Blaylock Beal Van LLC **FTN Financial Capital Markets**

Dated: January 9, 2015

$58,875,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
SECURED HOSPITAL REVENUE REFUNDING BONDS
(Wyckoff Heights Medical Center), Series 2015

Maturity Date	Amount	Interest Rate	Yield	CUSIP[1]
2/15/2016	$6,595,000	2.00%	0.28%	6499073P5
2/15/2017	8,795,000	3.00	0.74	6499073Q3
2/15/2018	9,060,000	4.00	1.02	6499073R1
2/15/2019	9,420,000	4.00	1.35	6499073S9
2/15/2020	9,795,000	5.00	1.59	6499073T7
2/15/2021	10,285,000	5.00	1.77	6499073U4
8/15/2021	4,925,000	5.00	1.84	6499073V2

[1] CUSIP ® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw-Hill Financial, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2015 Bonds. Neither the Authority nor the State is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2015 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed 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 such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015 Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the State, the Institution or the Underwriters to give any information or to make any representations with respect to the Series 2015 Bonds, other than the information and representations contained in this Official Statement. If given or made, any such information or representations must not be relied upon as having been authorized by the Authority, the State, the Institution or the Underwriters.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information in this Official Statement has been supplied by the Institution, the State and other sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation of the Authority.

The Institution has reviewed the information in this Official Statement, including "PART 1 – INTRODUCTION – The Institution," "PART 3 — THE SERIES 2015 BONDS — Debt Service Requirements for the Series 2015 Bonds," PART 5, PART 6, PART 7, PART 8 and PART 15 herein and Appendices E-1 and E-2 hereto, describing or necessarily relating to the estimated sources and uses of funds, the Institution and certain Bondholders' risks. It is a condition to the sale and the delivery of the Series 2015 Bonds that the Institution certify that, as of such dates, such information does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any other information included in this Official Statement.

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

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

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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PAUL T. WILLIAMS, JR. – PRESIDENT ALFONSO L. CARNEY, JR., ESQ. – CHAIR

OFFICIAL STATEMENT RELATING TO
$58,875,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
SECURED HOSPITAL REVENUE REFUNDING BONDS
(Wyckoff Heights Medical Center), Series 2015

PART 1 — INTRODUCTION

Purpose of this Official Statement

This Official Statement (including the cover pages, inside cover pages and appendices) provides certain information concerning the Dormitory Authority of the State of New York (the "Authority" or "DASNY") in connection with the sale of $58,875,000 aggregate principal amount of its Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015 (the "Series 2015 Bonds").

This Official Statement also provides certain information concerning Wyckoff Heights Medical Center (the "Institution"). A description of the Institution is contained in "PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER". Appendix E-1 hereto contains the consolidated audited financial statements of Wyckoff Heights Medical Center for the years ended December 31, 2013 and 2012 with Report of Independent Auditors and Appendix E-2 hereto contains the unaudited financial statements of Wyckoff Heights Medical Center as of and for the nine month period ended September 30, 2014 and for the nine month period ended September 30, 2013.

The following is a brief description of certain information concerning the Series 2015 Bonds, DASNY, the Institution and the State of New York (the "State"). A more complete description of such information and additional information that may affect decisions to invest in the Series 2015 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix F hereto.

Purpose of the Series 2015 Bonds

The Series 2015 Bonds are being issued for the purposes of providing funds which, together with other available monies, will be used to (i) refund and defease the Authority's outstanding Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 1998H issued by the Authority on February 26, 1998 under the Secured Hospital Program (as described herein), (ii) fund a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement, (iii) fund a Special Debt Service Reserve Fund in an amount equal to the Special Debt Service Reserve Fund Requirement, (iv) fund certain capital projects and acquire certain equipment approved by the Commissioner of the New York State Department of Health, and (v) pay the Costs of Issuance of the Series 2015 Bonds. *See* "PART 5 —PLAN OF REFUNDING" and "PART 6 — ESTIMATED SOURCES AND USES OF FUNDS".

Authorization of Issuance

The Series 2015 Bonds will be issued pursuant to (i) the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, and constituting Title 4 of Article 8 of the Public Authorities Law), as the same may be amended from time to time, including, but not limited to, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of Laws of New York 1973, including Chapter 445 of the Laws of the State of New York 2014, and as otherwise amended from time to time (the "Act"), (ii) the Wyckoff Heights Medical Center Secured Hospital Revenue Bond Resolution, adopted by the Authority on December 10, 2014 (the "Resolution"), and (iii) the Series Resolution Authorizing Up To $70,000,000 Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015, adopted by the Authority on December 10, 2014 (the "Series Resolution").

The Authority

DASNY is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational, health care, governmental and not-for-profit institutions. *See* "PART 9 — THE AUTHORITY".

The Secured Hospital Program

In 1985, the State established a special bond financing program (the "Secured Hospital Program") for the purpose of enabling "financially distressed" not-for-profit hospitals to gain access to the capital markets to finance needed facility rebuilding and modernization projects. Under the now expired New York inpatient rate-setting system known as the New York Prospective Hospital Reimbursement Methodology ("NYPHRM"), the Commissioner of Health had discretion to designate applicants as financially distressed ("Financially Distressed Hospitals") based on a showing, among other things, that the facility served a demonstrated public need and was experiencing severe financial distress due to the provision of unreimbursed bad debt and charity care services. When NYPHRM expired on December 31, 1996, legislation enacted in its place extended the Secured Hospital Program and made Financially Distressed Hospitals eligible for certain transitional financial protections, as well as for participation in the Secured Hospital Program. These transitional protections expired in December 2000 and the enabling provisions of the Secured Hospital Program expired on March 1,1998. Since that time, the State legislature has enacted legislation several times which authorized eligible secured hospital borrowers with outstanding secured hospital debt to refinance such debt upon application approved by the hospital's board of trustees containing, among other things, analytical evidence sufficient to demonstrate that such proposed refinancing is being undertaking for the furtherance of sustaining, maintaining or improving the hospital's financial condition. Under such legislation, the Commissioner of Health must approve the refinancing application and the Authority, as successor to the New York State Medical Care Facilities Finance Agency, and the State, acting through the State Director of the Budget, are authorized to enter into a service contract (the "Service Contract"), simultaneously with the delivery of a series of bonds issued to refund an eligible secured hospital borrower's existing secured hospital debt, to provide additional security for the bonds. *See* "PART 4 — THE SECURED HOSPITAL PROGRAM" and "Appendix A — PROPOSED FORM OF SERVICE CONTRACT". The most recent instance of the reauthorization of this limited refunding program occurred in 2014 when the State Legislature enacted legislation extending the Authority's authorization to issue secured hospital refunding bonds to December 31, 2015 and the Governor signed the legislation on November 21, 2014 (codified as Chapter 445 of the Laws of New York 2014 ("Chapter 445")). The December 31, 2015 expiration date for the issuance of secured hospital refunding bonds, however, does not impair any secured hospital bonds previously issued under the Secured Hospital Program. *See* "Appendix D – INFORMATION CONCERNING THE STATE OF NEW YORK – Annual Information Statement - State-Related Debt Outstanding - Contingent Contractual Obligation Financing - Secured Hospital Program".

The Institution

The Institution is a not-for-profit acute care community and teaching hospital located in Brooklyn, New York. The Institution provides inpatient medical, surgical, obstetric and pediatric care and offers emergency room, ambulatory surgery and outpatient clinical services. Under NYPHRM, the Institution was designated a Financially Distressed Hospital by the State Commissioner of Health. The Institution's working capital deficit, net asset deficiency and the resultant reduction in cash flow has caused the Institution's auditors and their prior auditors to have included a "going concern" footnote in each of the Institution's audited financial statements since 1998.

The Series 2015 Bonds

The Series 2015 Bonds will be dated and bear interest from their date of delivery, payable each February 15 and August 15, commencing August 15, 2015. Principal of the Series 2015 Bonds is payable annually on February 15, 2016 through February 15, 2021, and on August 15, 2021. The Series 2015 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page of this Official Statement. *See* “PART 3 — THE SERIES 2015 BONDS — Description of the Series 2015 Bonds”.

Payment of the Series 2015 Bonds

The Series 2015 Bonds are special obligations of the Authority payable solely from the Revenues, which consist of certain payments to be made by the Institution under the Loan Agreement, or otherwise derived by the Authority under the Mortgage, and payments under the Service Contract. The Loan Agreement is a general obligation of the Institution. The obligation of the State under the Service Contract is subject to annual appropriation as more fully described in this PART 1 under the caption “The Service Contract”. Pursuant to the Resolution and the Series Resolution, the Revenues and the Authority’s right to receive the Revenues have been pledged to the Trustee. *See* “PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS”.

Security for the Series 2015 Bonds

The Series 2015 Bonds will be secured by the pledge and assignment to the Trustee (as defined herein) of the Revenues and all funds and accounts authorized by the Resolution and established by the Series Resolution (with the exception of the Arbitrage Rebate Fund), which include the Capital Reserve Fund and the Special Debt Service Reserve Fund. Upon the delivery of the Series 2015 Bonds, the Capital Reserve Fund will be funded in an amount equal to ten percent (10%) of the proceeds of the sale of the Series 2015 Bonds, which is the least of: (i) maximum annual debt service on the Series 2015 Bonds, (ii) ten percent (10%) of the proceeds of the sale of the Series 2015 Bonds or (iii) 125% of the average annual debt service on the Series 2015 Bonds. The Special Debt Service Reserve Fund is expected to be funded from other available monies in an amount equal to approximately one-half (1/2) of maximum annual debt service on the Series 2015 Bonds. The Resolution authorizes the issuance by the Authority, from time to time, of additional Series of Bonds, each Series to be separately secured from each other Series of Bonds. *See* “PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS”.

The Series 2015 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power.

The Loan Agreement and the Mortgage

The Loan Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal, Redemption Price of, and interest on Outstanding Series 2015 Bonds. Under the Loan Agreement, the Institution has granted to the Authority a security interest in its Gross Receipts. *See* “PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS — The Loan Agreement”. The Institution’s obligations to the Authority under the Loan Agreement will be additionally secured by a consolidation of the mortgages granted on the Mortgaged Property of the Institution as security for the Refunded Bonds (as defined herein), as amended and restated in connection with the issuance of the Series 2015 Bonds (as so consolidated, amended and restated, the “Mortgage”) and a security interest in certain fixtures, furnishings and equipment now or hereafter located thereon or used in connection therewith. The Institution has entered into an account control agreement by and among the Institution, the Authority and the depository bank or banks holding the Institution’s Gross Receipts in order to perfect the Authority’s security interest in the Institution’s Gross Receipts. The Authority may assign its rights under the Loan Agreement (including its security interest in Gross Receipts) and the Mortgage and its security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Mortgaged Property to the Trustee for the benefit of the Holders of the Series 2015 Bonds, but has no present intention to do so. The Authority is required to assign its rights under the Loan Agreement, the Mortgage and such security interests to the Trustee only if a payment is necessary under the Service Contract and such payment is not made by the State. Furthermore, the Authority may release the Mortgage, or any portion thereof, without the consent of Bondholders at any time prior to such assignment. Nevertheless, all payments received or receivable by the Authority under the Loan Agreement and Mortgage, including any net receipts as a result of any foreclosure action, constitute Revenues under the Resolution, which are pledged to the

Trustee as security for the Series 2015 Bonds. *See* “PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS — The Loan Agreement — *The Loan Agreement and Mortgage*”.

The Service Contract

On the date of delivery of the Series 2015 Bonds, the Authority and the State, acting through the Director of the Budget of the State, will enter into the Service Contract to provide additional security for the Series 2015 Bonds. The Director of the Budget on behalf of the State has agreed in the Service Contract to include in each year, as a requested appropriation item during the term of the Service Contract, an amount equal to the principal of and interest on the Series 2015 Bonds coming due on the next succeeding February 15 and August 15. The Service Contract contains the agreement of the State, subject to the making of annual appropriations therefor by the State Legislature, for the payment to the Authority on or before each February 15 and August 15 of such sum, if any, as shall be necessary to provide for the payment of principal of and interest on the Series 2015 Bonds coming due on such dates, if all other funds pledged and available therefor are inadequate. A copy of the proposed form of Service Contract is attached hereto as Appendix A. *See* “PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS — The Service Contract”.

PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS

Set forth below is a narrative description of certain contractual provisions relating to the source of payment of and security for the Series 2015 Bonds and certain related covenants. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Resolution, the Series Resolution, the Loan Agreement and the Service Contract. Copies of the Resolution, the Series Resolution, the Loan Agreement and the Service Contract are on file with the Authority and the Trustee. See also “Appendix A — PROPOSED FORM OF SERVICE CONTRACT,” “Appendix B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” and “Appendix C — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT” for a more complete statement of the rights, duties and obligations of the parties thereto.

General

The Series 2015 Bonds are special obligations of the Authority payable solely from the Revenues. The principal, Redemption Price or Purchase Price of, and interest on the Series 2015 Bonds are secured by the Revenues, and all funds and accounts authorized under the Resolution and established under the Series Resolution (with the exception of the Arbitrage Rebate Fund), subject to the application thereof to the purposes and on the conditions authorized and permitted by the Resolution. The Revenues consist of the payments received or receivable by the Authority (i) from the Institution under the Loan Agreement and Mortgage to satisfy the principal, Redemption Price of, and interest on the Series 2015 Bonds and to maintain the Capital Reserve Fund at its requirement, and (ii) from the State under the Service Contract. The Revenues and the right to receive them have been pledged to the Trustee for the benefit of the Holders of the Series 2015 Bonds. Pursuant to the terms of the Resolution, the funds and accounts established by the Series Resolution secure only the Series 2015 Bonds, and do not secure any other Series of Bonds issued under the Resolution, regardless of their dates of issue. In addition, the Authority has pledged to the Trustee for the benefit of the Holders of the Series 2015 Bonds its interest in the Service Contract.

The Series 2015 Bonds will not be a debt of the State nor will the State be liable thereon. The Authority has no taxing power. *See* “PART 9 — THE AUTHORITY”.

The Loan Agreement

The Loan Agreement is a general obligation of the Institution and obligates the Institution to make payments to satisfy the principal of, and interest on Outstanding Series 2015 Bonds. Such payments are to be made monthly on the first day of each month. Each payment is to be equal to a proportionate share of the principal and interest coming due on the next succeeding payment date. The Loan Agreement also obligates the Institution to pay, at least forty-five (45) days prior to a redemption date of Series 2015 Bonds called for redemption or the purchase date of Series 2015 Bonds contracted to be purchased, the amount, if any, required to pay the Redemption Price or Purchase Price of such Series 2015 Bonds. *See* “PART 3 — THE SERIES 2015 BONDS — Redemption Provisions”.

The Authority has directed, and the Institution has agreed, to make such payments directly to the Trustee. Such payments are to be applied by the Trustee to the payment of the principal, Redemption Price or Purchase Price of, and interest on the Series 2015 Bonds. The payments to be made by the Institution to restore the Capital Reserve Fund to its requirement are to be made directly to the Trustee for deposit therein.

Security Interest in Gross Receipts. As further security for its obligations under the Loan Agreement, the Institution has granted to the Authority a security interest in its Gross Receipts, which consist, generally, of all receipts, revenues, income and other monies received or receivable by or on behalf of the Institution except for gifts, grants, bequests, donations and contributions and the income derived therefrom that are specifically restricted by the donor or grantor to a special project or purpose inconsistent with the payments under the Loan Agreement. The Institution has also agreed in the Loan Agreement not to create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to its Gross Receipts that is prior to or equal to the pledge made to the Authority in the Loan Agreement without the prior consent of the Authority and the New York State Department of Health ("NYSDOH"). Under the Loan Agreement, the Authority, with the consent of NYSDOH, may consent to the granting of a superior or parity interest in the Gross Receipts or may release the Authority's interest in Gross Receipts.

The Loan Agreement and the Mortgage. In connection with the delivery of the Series 2015 Bonds, the Institution will execute and deliver the Mortgage which will secure the obligations of the Institution to the Authority under the Loan Agreement. The Institution has also granted, with certain permitted exceptions, to the Authority, a security interest in certain fixtures, furnishings and equipment to secure the payments required to be made by the Institution pursuant to the Loan Agreement. The Authority may assign its rights under the Loan Agreement (including its security interest in Gross Receipts) and the Mortgage and its security interests in certain fixtures, furnishings and equipment now or hereafter located in or used in connection with the Mortgaged Property to the Trustee for the benefit of the Holders of the Series 2015 Bonds, but has no present intention to do so. The Authority is required to assign its rights under the Loan Agreement, the Mortgage and such security interests to the Trustee only if a payment is necessary under the Service Contract and such payment is not made by the State and may release, modify or amend the Mortgage without the consent of the Bondholders at any time prior to such assignment. Pursuant to the Resolution and the Loan Agreement, prior to their assignment to the Trustee, the Authority may amend the Loan Agreement without the consent of Holders of Outstanding Series 2015 Bonds so long as any such amendments to the Loan Agreement are not detrimental to Bondholders, provided, however, that the Loan Agreement may be modified in any manner without the consent of Holders of Outstanding Series 2015 Bonds so long as the Institution continues to be obligated to make all payments required thereunder to allow the Trustee to comply with the payment terms of the Resolution and the Series Resolution, and the Loan Agreement and the Mortgage may be modified without the consent of Holders of Outstanding Series 2015 Bonds in connection with the issuance of Refunding Bonds to refund and defease Series 2015 Bonds to conform to the terms of such Refunding Bonds and the Series Resolution authorizing the issuance of such Refunding Bonds.

Reserve Funds

The Series Resolution establishes two reserve funds: (i) the Capital Reserve Fund, and (ii) the Special Debt Service Reserve Fund. The reserve funds are to be held by the Trustee, are to be applied solely for the purposes specified in the Resolution and are pledged to secure the payment of the principal, and Redemption Price of and interest on the Series 2015 Bonds. Monies in the Special Debt Service Reserve Fund are to be applied to pay debt service on the Series 2015 Bonds before any monies in the Capital Reserve Fund are to be so applied.

Special Debt Service Reserve Fund. The Special Debt Service Reserve Fund is required to be created pursuant to the Act for the purpose of providing a reserve fund from which payment of principal, Redemption Price of, and interest on the Series 2015 Bonds could be made in the event that payments made under the Loan Agreement are insufficient for such purpose, prior to the withdrawal of any monies from the Capital Reserve Fund or payment under the Service Contract. The Resolution does not prescribe a minimum balance for the Special Debt Service Reserve Fund. However, the Authority will cause the amount on deposit in the Special Debt Service Reserve Fund on the date of delivery of the Series 2015 Bonds to be equal to one-half (1/2) maximum annual debt service on the Series 2015 Bonds. There is no requirement that withdrawals from the Special Debt Service Reserve Fund be restored by the Authority or otherwise.

To the extent funds are on deposit therein, monies in the Special Debt Service Reserve Fund are to be withdrawn and deposited in the Debt Service Fund for the Series 2015 Bonds whenever (i) the amount in the Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount that is necessary to pay the principal due and payable on such interest payment date, and the interest on Outstanding Series 2015 Bonds due and payable on such interest payment date, and (ii) the amount in the Debt Service Fund on the fourth business day prior to a redemption date or purchase date is less than the Redemption Price or Purchase Price of Series 2015 Bonds called for redemption or contracted for purchase, respectively, on such date, and interest on Outstanding Series 2015 Bonds payable on such date. The amount withdrawn shall be sufficient to make such payments. *See* "Appendix B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION".

Capital Reserve Fund. The Capital Reserve Fund is required to be created pursuant to the Act to provide a reserve fund from which payments of principal, Redemption Price or Purchase Price of, and interest on the Series 2015 Bonds could be made in the event that payments made under the Loan Agreement and amounts, if any, in the Special Debt Service Reserve Fund are insufficient for such purposes, prior to payment under the Service Contract. The Capital Reserve Fund for the Series 2015 Bonds shall be funded at an amount which is the least of (i) maximum annual debt service on the Series 2015 Bonds, (ii) ten percent (10%) of the proceeds of the sale of the Series 2015 Bonds or (iii) 125% of the average annual debt service on the Series 2015 Bonds. It is currently expected that the Capital Reserve Fund will be funded in an amount equal to ten percent (10%) of the proceeds of the sale of the Series 2015 Bonds.

Monies in the Capital Reserve Fund are to be withdrawn and deposited in the Debt Service Fund for the Series 2015 Bonds whenever (i) the amount in the Debt Service Fund on the fourth business day prior to an interest payment date is less than the amount that is necessary to pay the principal due and payable on such interest payment date, and the interest on Outstanding Series 2015 Bonds due and payable on such interest payment date, and (ii) the amount in the Debt Service Fund on the fourth business day prior to a redemption date or purchase date is less than the Redemption Price or Purchase Price of Series 2015 Bonds called for redemption or contracted for purchase, respectively, on such date, and interest on Outstanding Series 2015 Bonds payable on such date. The Loan Agreement and the Resolution require that the Institution restore the Capital Reserve Fund to its requirement by paying the amount of any deficiency to the Trustee within five days after receiving notice of a deficiency. *Under the Service Contract, the State is not required to restore the Capital Reserve Fund to its requirement*. Monies in the Capital Reserve Fund in excess of its requirement shall be withdrawn and applied in accordance with the Resolution. *See* "Appendix B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION".

The Service Contract

The Series 2015 Bonds are secured by a pledge of all of the Authority's interest under the Service Contract, including, without limitation, the payments made by the State thereunder. The Service Contract provides for payment to the Authority on or before each February 15 and August 15 of such sum, if any, as shall be necessary to provide for the payment of principal of and interest on the Series 2015 Bonds coming due on such date, if all other funds pledged and available therefor, as described above, are inadequate. The Service Contract provides that the State's obligation to make the payments due thereunder is absolute and unconditional, subject only to the "executory clause" described below, and that neither the Authority nor the State will terminate the Service Contract for any reason, including any acts or circumstances that may constitute a failure of consideration or frustration of purpose or the failure of either the Authority or the State to perform or observe any duty, liability or obligation with respect to the Service Contract, and including, but not limited to, the bankruptcy or liquidation of the Institution. The Director of the Budget on behalf of the State has agreed in the Service Contract to include in each year, as a requested appropriation item, an amount equal to the principal of, and interest on, the Series 2015 Bonds coming due on the next February 15 and August 15. The obligations of the State pursuant to the Service Contract shall terminate not earlier than the final stated maturity of the Series 2015 Bonds.

The obligation of the State to fund or to pay the amounts provided for by the Service Contract is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose, shall not constitute a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of monies available to the State therefor, and no liability shall be incurred by the State beyond the monies available for the purposes thereof. The State Legislature is not obligated to make appropriations to satisfy the State's obligations under the Service Contract and there can be no assurance that the State Legislature will make any such appropriations.

Upon the occurrence of a monetary event of default under the Loan Agreement and the necessity for payment by the State under the Service Contract, the State may, in its sole discretion, elect to pay such amount as shall permit the Authority to redeem all or any portion of the Series 2015 Bonds. *See* "PART 3 — THE SERIES 2015 BONDS — Redemption Provisions — *State Extraordinary Redemption*".

PART 3 — THE SERIES 2015 BONDS

Description of the Series 2015 Bonds

The Series 2015 Bonds will be issued pursuant to the Resolution and the Series Resolution, will be dated their date of delivery, and will bear interest from such date (payable August 15, 2015, and on each February 15 and August 15 thereafter) at the rates, and will mature on the dates set forth on the inside cover page of this Official Statement.

The Series 2015 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2015 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2015 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2015 Bonds, the Series 2015 Bonds will be exchangeable for other fully registered Series 2015 Bonds in any authorized denominations of the same maturity without charge except for the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Resolution. *See* "PART 3 - THE SERIES 2015 BONDS - Book-Entry Only System" herein and "Appendix B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION".

Interest on the Series 2015 Bonds will be payable by check or draft mailed to the registered owners thereof. The principal or Redemption Price or Purchase Price of the Series 2015 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, the Trustee and Paying Agent. As long as the Series 2015 Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. *See* "PART 3 - THE SERIES 2015 BONDS - Book-Entry Only System" herein.

For a more complete description of the Series 2015 Bonds, see "Appendix B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION".

Redemption Provisions

Optional Redemption. The Series 2015 Bonds are not subject to optional redemption prior to maturity.

Special Redemption. The Series 2015 Bonds are subject to redemption at the option of the Authority at any time, in whole or in part, at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, from (i) proceeds of a condemnation or insurance award, which proceeds are not used to repair, restore or replace the Mortgaged Property, and (ii) monies derived as a result of a default by the Institution under the Loan Agreement or from foreclosure proceedings under the Mortgage.

State Extraordinary Redemption. The Series 2015 Bonds are subject to redemption at any time, in whole or in part, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, if as a result of a monetary default by the Institution under the Loan Agreement, which default results in a payment by the State under the Service Contract, the State exercises its prepayment option with respect to its obligations under the Service Contract and provides the Authority with monies sufficient to effect such redemption. *See* "PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS — The Service Contract," "PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER" and "PART 8 — BONDHOLDERS' RISKS".

Selection of Bonds to be Redeemed. In the case of redemptions of Series 2015 Bonds as described above under the subheading "*Special Redemption*," Series 2015 Bonds will be redeemed to the extent practicable *pro rata* among maturities of the Series 2015 Bonds. In the case of redemptions of Series 2015 Bonds as described above under the subheading "*State Extraordinary Redemption*," the principal amount and maturities of the Series 2015 Bonds to be redeemed shall be specified by the State in its sole discretion.

Notice of Redemption. The Trustee is to give notice of the redemption of the Series 2015 Bonds in the name of the Authority, which notice shall be given by first-class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to the registered owners of any Series 2015 Bonds that are to be redeemed, at their last known addresses appearing on the registration books of the Authority not more than ten (10) business days prior to the date such notice is given. Each notice of redemption, other than a Notice of Special Redemption or a Notice of State Extraordinary Redemption, may state, in addition to any other conditions, that the redemption is conditioned on the availability on the Redemption Date of sufficient monies to pay the Redemption Price of the Series 2015 Bonds to be redeemed, and the interest on the Series 2015 Bonds to be redeemed. The failure of any owner of a Series 2015 Bond to be redeemed to receive notice of redemption thereof will not affect the validity of the proceedings for the redemption of such Series 2015 Bond. If directed in writing by an Authorized Officer of the Authority, the Trustee shall publish or cause to be published such notice in an Authorized Newspaper not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date, but such publication is not a condition precedent to such redemption and failure to publish such notice or any defect in such notice or publication will not affect the validity of the proceedings for the redemption of such Series 2015 Bonds.

If on the redemption date monies for the redemption of the Series 2015 Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available for payment of the Redemption Price, and if notice of redemption shall have been mailed and the conditions, if any, to such redemption have been satisfied or waived by the Authority, then interest on such Series 2015 Bonds will cease to accrue from and after the redemption date and such Series 2015 Bonds will no longer be considered to be Outstanding under the Resolution and the Series Resolution.

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 RESOLUTION".

Book-Entry Only System

Payment of principal of, premium, if any, and interest on the Series 2015 Bonds will be made directly to DTC, New York, New York, or its nominee, Cede & Co., by the Trustee. In the event the Series 2015 Bonds are not in a book-entry-only system, payment of principal of, premium, if any, and interest on, the Series 2015 Bonds will be made as described in the Resolution.

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Direct Participants or DTC Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2015 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2015 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2015 Bonds, or that they will so do on a timely basis, or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described under this heading. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC acts as securities depository for the Series 2015 Bonds. The Series 2015 Bonds are issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity 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 Securities and Exchange Commission. 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 Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 the 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. Beneficial Owners of the Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2015 Bonds of a particular maturity are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant the Series 2015 Bonds of such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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).

Payments of principal of, premium, if any, and interest evidenced by 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 the Authority or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct 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 Direct Participant and not of DTC (nor its nominee), the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Series 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority 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 Resolution, registering the transfer of the Series 2015 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Authority 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 the Authority (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 the Authority; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

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

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Bond certificates will be delivered as described in the Resolution and the Series Resolution.

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

THE AUTHORITY, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2015 Bonds (other than under the captions "PART 12 - TAX MATTERS" and "PART 17 – CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2015 Bonds.

Debt Service Requirements for the Series 2015 Bonds

The following table sets forth the amounts required to be paid during the periods ending February 15 and August 15 for the payment of (i) the principal of the Series 2015 Bonds payable annually on February 15, 2016 through February 15, 2021, and on August 15, 2021, (ii) the interest on the Series 2015 Bonds payable on such February 15 and August 15, and (iii) the total debt service during such period with respect to the Series 2015 Bonds.

Period Ending	Principal Payments	Interest Payments	Total Debt Service
8/15/2015	--	$1,344,987.78	$1,344,987.78
2/15/2016	$6,595,000	1,192,600.00	7,787,600.00
8/15/2016	--	1,126,650.00	1,126,650.00
2/15/2017	8,795,000	1,126,650.00	9,921,650.00
8/15/2017	--	994,725.00	994,725.00
2/15/2018	9,060,000	994,725.00	10,054,725.00
8/15/2018	--	813,525.00	813,525.00
2/15/2019	9,420,000	813,525.00	10,233,525.00
8/15/2019	--	625,125.00	625,125.00
2/15/2020	9,795,000	625,125.00	10,420,125.00
8/15/2020	--	380,250.00	380,250.00
2/15/2021	10,285,000	380,250.00	10,665,250.00
8/15/2021	4,925,000	123,125.00	5,048,125.00
	$58,875,000	$10,541,262.78	$69,416,262.78

PART 4 — THE SECURED HOSPITAL PROGRAM

In 1985, the State established a special bond financing program (the "Secured Hospital Program") for the purpose of enabling "financially distressed" not-for-profit hospitals to gain access to the capital markets to finance needed facility rebuilding and modernization projects. Under the now-expired New York inpatient rate-setting system known as the New York Prospective Hospital Reimbursement Methodology ("NYPHRM"), the Commissioner of Health had discretion to designate applicants as financially distressed ("Financially Distressed Hospitals") based on a showing, among other things, that the facility served a demonstrated public need and was experiencing severe financial distress due to the provision of unreimbursed bad debt and charity care services. When NYPHRM expired on December 31, 1996, legislation enacted in its place extended the Secured Hospital Program and made Financially Distressed Hospitals eligible for certain transitional financial protections, as well as for participation in the Secured Hospital Program. These transitional protections expired in December 2000 and the enabling provisions of the Secured Hospital Program expired on March 1, 1998. Since that time, the State legislature has enacted legislation several times which authorized eligible secured hospital borrowers with outstanding secured hospital debt to refinance such debt upon application approved by the hospital's board of trustees containing, among other things, analytical evidence sufficient to demonstrate that such proposed refinancing is being undertaken for the furtherance of sustaining, maintaining or improving the hospital's financial condition. Under such legislation, the Commissioner of Health must approve the refinancing application and the Authority, as successor to the New York State Medical Care Facilities Finance Agency, and the State, acting through the State Director of the Budget, are authorized to enter into a service contract (the "Service Contract"), simultaneously with the delivery of a series of bonds issued to refund an eligible secured hospital borrower's existing secured hospital debt, to provide additional security for the bonds. The most recent instance of the reauthorization of this limited refunding program occurred in 2014 when the Legislature enacted Chapter 445, extending the Authority's authorization to issue secured hospital refunding bonds to December 31, 2015 and the Governor signed the legislation on November 21, 2014. The December 31, 2015 expiration date for the issuance of secured hospital refunding bonds, however, does not impair any bonds previously issued under the Secured Hospital Program.

Revenue bonds separately secured from each other have been issued for the purpose of providing funds to make loans to eleven hospitals, including the Institution, under the Secured Hospital Program. Six of such series of bonds remain outstanding with a total of approximately $344.3 million in revenue bonds outstanding under the Secured Hospital Program as of December 1, 2014. Three of six Secured Hospital Program borrowers, including the Institution, are current on their loan payments. However, in connection with three other series of outstanding secured hospital bonds, the State is making debt service payments on such bonds pursuant to the applicable service contract, including bonds on behalf of one hospital that is not meeting the terms of its loan agreement with DASNY, a second hospital whose debt service obligation was discharged in bankruptcy and a third hospital that is now closed. The revenue bonds are secured by loan repayments on account of such mortgage loans and by the monies in the funds and accounts under the general resolutions authorizing the issuance of such bonds. Such bonds are also secured by payments under service contracts with the State. See "PART 8 – BONDHOLDERS' RISKS - The Secured Hospital Program". *See, also,* "Appendix D – INFORMATION CONCERNING THE STATE OF NEW YORK – Annual Information Statement - - State-Related Debt Outstanding - - - Contingent Contractual Obligation Financing - - - - Secured Hospital Program".

Unless new legislation is enacted into law, no additional refinancings will be undertaken through the Secured Hospital Program after December 31, 2015. However, in the event the Authority finances other projects or refinances outstanding borrowings for other Financially Distressed Hospitals, from time to time under bond resolutions, such other series of bonds will not be secured by the payments to be made under the Loan Agreement or by any of the funds or accounts established pursuant to the Resolution for the purpose of securing the Series 2015 Bonds or any other Bonds issued under the Resolution.

PART 5 — PLAN OF REFUNDING

The Series 2015 Bonds are being issued for the purposes of providing funds which, together with other available monies, will be used to (i) refund and defease the Authority's outstanding Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 1998H (the "Refunded Bonds") issued by the Authority on February 26, 1998 under the Secured Hospital Program (as described herein), (ii) fund a Capital Reserve Fund in an amount equal to the Capital Reserve Fund Requirement, (iii) fund a Special Debt Service Reserve Fund in an amount equal to the Special Debt Service Reserve Fund Requirement, (iv) fund certain capital projects and acquire certain equipment approved by the Commissioner of the New York State Department of Health, and (v) pay the Costs of Issuance of the Series 2015 Bonds. *See* "PART 6 — ESTIMATED SOURCES AND USES OF FUNDS" and "PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER".

A substantial portion of the proceeds of the Series 2015 Bonds, together with other available monies, will be deposited in a separate trust fund (the "Escrow Fund") established with the trustee for the Refunded Bonds, as escrow agent (the "Escrow Agent") and used to pay the principal or redemption price of, and interest on, the Refunded Bonds when due. Such aggregate amount shall be invested, at the direction of the Authority, in direct obligations of, or obligations the principal of and interest on which is unconditionally guaranteed by, the United States of America maturing on or prior to February 27, 2015. At the time of such deposit, the Authority will provide irrevocable instructions to the Escrow Agent to pay the principal or redemption price of, and interest on, the Refunded Bonds when due and to give notice of the defeasance and redemption of the Refunded Bonds to be redeemed prior to their stated maturities. *See* "PART 6 — ESTIMATED SOURCES AND USES OF FUNDS".

In the opinion of Bond Counsel, upon making such deposit with such Escrow Agent and the issuance by the Authority of such irrevocable instructions to the Escrow Agent, the Refunded Bonds will be defeased and deemed to be no longer outstanding in accordance with the provisions of the resolution pursuant to which they were issued.

Grant Thornton, LLP, independent certified public accountants, will provide a written verification report that will verify the accuracy of the arithmetical computations with respect to the sufficiency of amount of the proceeds of the Series 2015 Bonds and other available amounts to be used to redeem the Refunded Bonds on February 27, 2015.

PART 6 — ESTIMATED SOURCES AND USES OF FUNDS

Estimated sources and uses of the proceeds of the Series 2015 Bonds and other available monies are as follows:

Sources of Funds

Principal Amount of Series 2015 Bonds	$58,875,000.00
Original Issue Premium	6,801,569.90
Other Available Funds	
Series 1998H Capital Reserve Fund Balance	11,067,134.85
Series 1998H Special Debt Reserve Fund Balance	5,535,930.86
Series 1998H Construction Fund Balance	62,369.19
Series 1998H Rebate Fund Balance	290,277.00
Series 1998H Debt Service Fund Balance	9,315,915.82
Total Sources:	$91,948,197.62

Uses of Funds

Deposit to Escrow Fund	$68,564,094.67
Deposit to Capital Reserve Fund	6,567,656.99
Deposit to Special Debt Service Reserve Fund	5,524,725.00
Deposit to Construction Fund[1]	9,687,324.00
Transfer to Secured Hospital Fund	11,205.86
Costs of Issuance[2]	1,593,191.10
Total Uses:	$91,948,197.62

[1] From Other Available Funds referenced above under Sources of Funds.
[2] Includes an Underwriters' discount in the amount of $659,864.10.

PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER

Introduction

Wyckoff Heights Medical Center (referred to herein as the "Institution", "Wyckoff" or the "Medical Center") is a voluntary, not-for-profit acute care teaching community hospital located in Brooklyn, New York and is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Wyckoff provides inpatient medical, surgical, obstetric and pediatric care and offers emergency room, ambulatory surgery and outpatient clinical services. Wyckoff has a total certified bed capacity of 324 beds.

Wyckoff Heights Medical Center was incorporated in 1889 and has been in continuous operation at its present location since that date.

Wyckoff is a safety net hospital as determined by The New York State Department of Health. Wyckoff is located at 374 Stockholm Street, Brooklyn (Kings County), New York 11237. The Hospital serves a culturally diverse population in Kings and Queens Counties. It has a staff of approximately 1,900 and experiences over 87,000 emergency department visits, over 107,000 clinic visits and approximately 1,400 deliveries annually. In 2013, Wyckoff was certified to provide 6 residency training programs.

Services and Programs

Wyckoff offers a broad range of diagnostic and therapeutic services for adults and children on an inpatient and outpatient basis.

As of October 30, 2014, its certified bed complement was allocated among the following services:

Medical Surgical	244
Intensive Care	16
Pediatric	28
Maternity	26
Neonatal Intensive Care	5
Neonatal Continuing Care	5
Total	324

Wyckoff provides services in several specialties including: anesthesiology, cardiology, dentistry, emergency services, endocrinology, gastroenterology, geriatrics, hematology, immunology, infectious disease, internal medicine, laboratory services, neonatology, nephrology, neurology, neurosurgery, obstetrics and gynecology, oncology, ophthalmology, orthopedic surgery, otolaryngology, pathology, pediatrics, plastic surgery, podiatry, pulmonology, radiology, rehabilitation medicine, rheumatology, stem cell transplant, general surgery, thoracic surgery, oncology, urology and vascular surgery.

In addition, Wyckoff provides the following specialized services: acute renal dialysis, MRI, nuclear medicine, physical medicine and rehabilitation, ambulatory surgery, CT, part-time clinics, physical therapy (outpatient), therapeutic radiology, audiology, cystoscopy, emergency room services, and social service.

Outpatient clinic locations of the Medical Center include extension clinics, which are leased by Wyckoff, located at: 1411-1417 Myrtle Avenue, Brooklyn; 110-112 Wyckoff Avenue, Brooklyn; and 1610 DeKalb Avenue, Brooklyn.

Wyckoff operates a 24-hour emergency services department.

Medical Residency Programs

Wyckoff serves as a training site for approximately 165 approved residents and interns in a variety of specialties. The Hospital offers residency programs with the following number of slots:

Internal Medicine	75
Pediatrics	2
General Surgery	15
Podiatry	39
Dentistry	25
Obstetrics/gynecology	9
TOTAL	165

Existing Facilities

All of Wyckoff's inpatient and emergency care facilities are situated at Wyckoff's main buildings located in Brooklyn on Stockholm Street. Outpatient care facilities are located in Brooklyn. The following table sets forth the inpatient and outpatient care, ancillary and support services buildings owned by Wyckoff, the year of construction or, if applicable, substantial renovation, their approximate gross square footage and the principal facilities or services contained therein. Each of these building are included in the Mortgaged Property.

Patient Care, Ancillary and Support Services
Buildings Owned by Wyckoff

Building	Year of Construction (or substantial renovation)	Approximate Gross Square Footage	Principal Facilities and Services
A 374 Stockholm St.	1994	121,563	Emergency department, laboratories, clinic, ambulatory surgery, EKG, physical therapy, operating and recovery rooms/endoscopy and conference rooms.
B 374 Stockholm St.	1974/1994	297,199	Pharmacy, radiology, administrative (social services), medical room, pediatrics, mechanicals, telemetry, intensive care unit, coronary care unit, dialysis, maternity, nursery, neonatal intensive care unit, labor and delivery.
C 374 Stockholm St.	1954	90,880	Administration, cafeteria.

The Project

The Project includes the refinancing of the Medical Center's existing mortgage loan (the "Mortgage Loan"). The Mortgage Loan was funded with a portion of the proceeds of the Refunded Bonds. As of December 1, 2014, the outstanding principal balance of the Refunded Bonds was approximately $66.7 million.

The Refunded Bonds were issued for the purpose of refinancing the Medical Center's mortgage loan that was funded with the proceeds of Secured Hospital Revenue Bonds (the "1991 Bonds") issued in 1991 by the New York State Medical Care Facilities Finance Agency. Proceeds of the 1991 mortgage loan were used in financing a major construction and modernization project and included all of the buildings referred to above. The project consisted of: the construction of a new five-story building adjacent to Wyckoff's then existing facility to accommodate ambulatory care clinics, operating suites and laboratories; a five-story addition to the existing building to provide for bed expansions in obstetrics, neonatal, pediatric and radiology services; building renovations, emergency room expansion, mechanical, structural and electrical system renovations to support high-intensity services; equipment acquisition; and increased parking areas. The construction project was substantially completed in early 1995.

The Project also includes the funding of certain routine but critically necessary plant infrastructure projects as well as replacement and acquisition of movable equipment (as described in the subsection below) with amounts currently on deposit in the Trustee held funds established in connection with the Refunded Bonds and becoming available as a result of the refunding of the Refunded Bonds and reduction in reserve fund requirements. *See* "PART 5 - PLAN OF REFUNDING" and "PART 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Infrastructure and Equipment Initiative".

Forbearance Agreement

As a result of financial difficulties encountered by the Institution, the Medical Center failed to fully fund the payments required under its loan agreement in years 2007, 2008, 2009, 2010 and 2011; however, payments due on the Refunded Bonds were made in full and on time from funds available to the Authority. On May 4, 2011, the Medical Center entered into a forbearance agreement with the Authority, whereby the Authority agreed to forbear exercising its rights and remedies under the existing loan documents to collect an arrearage of approximately $15.7 million. Under the forbearance agreement, the Institution, among other things, agreed to make semiannual interest payments on the arrearage. Wyckoff is current on its payments pursuant to the forbearance agreement. Monthly principal and interest payments at a rate of 1% per annum or about $79,000, will commence in September 2021, following the final maturity of the Refunded Bonds (which is also the final maturity of the Series 2015 Bonds). The terms of forbearance agreement include certain termination events upon which the forbearance period automatically terminates and the Authority, in its sole discretion, has the right to exercise any and all rights and remedies under the loan agreement; these events include the occurrence of any future default under the Loan Agreement. There have been no termination events under the forbearance agreement.

Infrastructure and Equipment Initiative

A key objective of the refunding is to assist Wyckoff in pursuing routine capital projects that are expected to enable it to better serve its community, improve the Institution's financial operations and provide for its continued financial and structural viability. Due to the financial condition of the Medical Center over the recent past, capital investment has been deferred as the physical plant ages and equipment reaches the end of its useful life.

Wyckoff is working with New York State Department of Health ("NYSDOH") on its Capital Needs Project List (the "Project List"), which is made up of plant operations projects ranging from refurbishment of air handlers, to installation of heat exchangers, to central sterile supply upgrades, etc.; and numerous movable equipment items such as portable X-ray units, nuclear camera replacement, fluoroscope replacement, etc. NYSDOH reviewed the Project List and determined that all the undertakings represent routine capital expenditures for a major medical center such as Wyckoff. NYSDOH has identified individual projects, which required submission of a *Construction Notice*, in lieu of a Limited Review Application or a Certificate of Need Application pursuant to Public Health Law Section 2802. The Construction Notices have been filed with NYSDOH. The balance of the projects to be undertaken by Wyckoff, up to the amount of the deposit to the Construction Fund, do not require Construction Notice, Limited Review approval or Certificate of Need approval, due to cost or the non-clinical nature of the project.

Governance and Affiliations

Wyckoff Heights Medical Center, a New York not-for-profit corporation, received a determination letter from the Internal Revenue Service that it is qualified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or corresponding provisions of prior Internal Revenue Codes (the "Code").

Wyckoff is governed by a Board of Trustees (the "Board") consisting of not less than ten (10) nor more than forty-five (45) members who serve five (5) year terms and are elected at the annual meeting of the corporation by the Members. As of October 31, 2014, there were eleven (11) voting members of the Board of Trustees. There are 10 regular meetings of the Board of Trustees scheduled each year.

Board members participate in Wyckoff governance through an active committee structure which monitors operations including finance and quality assurance.

As of December 1, 2014, the officers and members of the Board, their year of first appointment, and their principal occupations are as follows:

Officers and Members of Board of Trustees

Name/Officer	Year First Appointed	Year Term Expires	Occupation
Gary Goffner (Chairman)	2008	Term in effect until new Board resolution	Business Owner
Vincent Arcuri (Vice Co-Chairman)	2000		Retired Construction Executive
Herman Hochberg (Vice Co-Chairman)	2006		Business Owner
Fred T. Haller III, Esq. (Secretary)	1999		Attorney at Law
John H. Cook, Jr., Esq. (Member-at-Large)	1967		Retired Attorney at Law
Andrew Boisselle	2004		Business Owner
Vito D'Alessandro, M.D.	1990		Physician
Adam Figueroa	1992		Business Owner
Agnieszka Poslednik, Esq.	2011		Bank Executive
Mounzer Tchelebi, M.D.	2012		Physician
Albert Wiltshire	2008		Congressional Chief of Staff

The Board presently has 4 designated standing committees and such special committees as may be established by the Board. The designated standing committees of the Board are the Executive Committee, Finance Committee, Audit & Compliance Committee, and Quality Assurance Committee.

Duality of Interest

Wyckoff's conflict of interest policy requires any duality of interest or possible conflict of interest on the part of any Board member to be disclosed to the Board and made a matter of record. Any contract or other transaction with Wyckoff in which a Board member has a substantial financial interest must be fair and reasonable to Wyckoff in the recorded judgment of the Board and be authorized by the vote of a majority of the Trustees present and entitled to vote at a meeting at which a quorum is present. The interested Trustee may not be present at the time the vote is taken and his or her presence at the meeting is not considered for purposes of determining a quorum. While a number of Board members have reported conflicts on their annual conflict disclosure forms, no conflict of interest disclosure has been made by any member of the Board regarding any transaction relating to the issuance of the Series 2015 Bonds.

Affiliations

Wyckoff has a corporate member, Brooklyn-Queens Health Care, Inc. ("BQHC"), formerly known as Wyckoff Heights Medical Center Properties, which, effective December 21, 2006, became the sole member of Wyckoff and Caritas Health Care, Inc. ("Caritas") in conjunction with a hospital acquisition venture. On January 1, 2007, Wyckoff, through BQHC, became the sole corporate member of Mary Immaculate Hospital and St. John's Hospital out of bankruptcy from Saint Vincent's Catholic Medical Centers of New York ("SVCMC") and organized the two hospitals as "Caritas". The venture proved not successful and Caritas filed for bankruptcy in 2009. Eventually, the two hospitals closed. BQHC has essentially reverted to a property holding company since the closure of the Caritas hospitals. In the past two years, the Medical Center entered into a clinical affiliation agreement with Maimonides Medical Center.

Through December 31, 2011, Wyckoff was an affiliate of the New York-Presbyterian Healthcare System. The affiliation agreement was ended as of January 1, 2012 by mutual agreement.

Management

The senior management of Wyckoff Hospital consists of the following: President & Chief Executive Officer, Executive Vice President & Chief Financial Officer; Executive Vice President & Chief Medical Officer and Chief Nursing Officer.

RAMON J. RODRIGUEZ, President and Chief Executive Officer

Mr. Rodriguez joined the Hospital in January 2012 in his current position of President and Chief Executive Officer. In this capacity, he exercises full organizational and managerial responsibility. He has over thirty six years of extensive experience in the health care, human services and government sectors. He is an entrepreneur who discovers the potential of ineffective organization and a manager with the expertise to accomplish the change in order to meet its mission. He advocates the use of technology to advance a company's business goals. He received his Juris Doctor from DePaul University College of Law and Bachelor of Arts Degree from The City College of New York. He was admitted to practice law in the State of New York.

FRANK A. VUTRANO, CPA, Executive Vice President and Chief Financial Officer

Mr. Vutrano has been the Executive Vice President and Chief Financial Officer since 2012. His major responsibilities comprise the entire financial functions including Financial Reporting, Budget, Reimbursement, Information Systems, Health Information Management, Patient Financial Services and Revenue Cycle. His previous experience includes position as Senior Vice President and CFO at New York Downtown Hospital (2006-2012) and Interfaith Medical Center (2004-2006). He was the Corporate Director of Budget and Decision Support at Saint Vincent Catholic Medical Centers of New York from 2000 to 2004. He holds an M.S. degree in Health Administration from Central Michigan University and a B.S. in Accounting from Herbert Lehman College.

GUSTAVO DEL TORO, M.D., Executive Vice President & Chief Medical Officer

Dr. Del Toro has been the Chief Medical Officer and Senior Vice President of Medical Affairs since 2013. Dr. Del Toro has been an Associate Professor of Pediatrics (Clinician/Educator Track) at Mount Sinai School of Medicine. He graduated from the University of Michigan Medical School and completed his residency at Miami Children's Hospital.

CATHERINE GALLOGLY-SIMON RN, Chief Nursing Officer

Ms. Gallogly-Simon has a Bachelor of Science in Nursing and a Master's Degree in Community Health Administration. She is a licensed RN in New Jersey and in New York, and has her certification as a Critical Care Registered Nurse. She held the Chief Nursing Officer position at Long Island College Hospital from 2006-2013 when she resigned her position to join the leadership at Brookdale Hospital as VP of Nursing. As the Vice President of Nursing Operations at Brookdale University Hospital, she was responsible for organizing, directing and evaluating the daily functions of the Department of Nursing, including the development and management of the nursing budget. Ms. Gallogly-Simon assumed the role of Chief Nursing Officer at Wyckoff as of June 16, 2014.

Medical and Dental Staff

As of December 1, 2014, there were 525 physician, dental and podiatric members of the medical staff of Wyckoff holding appointments in five categories: Attending Medical Staff (including employed and voluntary members); Clinical Affiliate; Teaching Faculty; House Physicians; and retired/emeritus. The medical staff is organized into 10 clinical departments: Anesthesiology, Dental Medicine, Emergency Medicine, Medicine, Obstetrics and Gynecology, Pathology, Pediatrics, Radiation Oncology, Radiology, and Surgery.

As of December 1, 2014, approximately 72% of members of the entire medical were board certified in one or more of their divisional specialties and their average age was approximately 53 years.

From October 1, 2013 to December 1, 2014, the medical staff experienced a net increase of approximately 60 members.

The following is a summary by clinical department of the medical staff (exclusive clinical affiliate, teaching faculty, house physicians, teleradiologists, and retired/emeritus) of the number of medical staff members, their average age and the percentage of department staff who are board certified:

Department	No. of Staff	Percent Certified	Average Age
Anesthesiology	19	53%	52
Dental Medicine	24	25%	51
Emergency Medicine	24	71%	50
Medicine	188	82%	54
Obstetrics/Gynecology	28	79%	56
Pathology	4	100%	73
Pediatrics	47	70%	57
Radiation Oncology	4	100%	65
Radiology	12	100%	57
Surgery	104	61%	50
TOTAL	454	72%	50

Service Area, Other Area Hospitals, Utilization Service Area and Outpatient Utilizations

Wyckoff is located at 374 Stockholm Street, Brooklyn (Kings County), New York 11237. Wyckoff serves a culturally diverse population in Kings and Queens Counties that covers the following two primary geographic ZIP Codes: 11237 (Bushwick), and 11207 (Ridgewood/Glendale) and with a 2010 population of 164,856; and the following nine secondary ZIP Codes: 11378 (Maspeth), 11379 (Middle Village), 11385 (East New York), 11221 (Bushwick/Bedford-Stuyvesant), 11206 (Williamsburg/Bedford-Stuyvesant), 11211 (Williamsburg),11421 (Woodhaven), 11208 (Cypress Hills), 11222 (Greenpoint) and 11207 (Richmond Hill) with a 2010 population of 618,678.

Wyckoff's service area is one of the most ethnically and culturally diverse constituencies in New York City. According to the 2010 census, Bushwick's area (Brooklyn Community District 4) is 65.4% Hispanic, 20.1% African American, 8.5% White, 4.3% Asian, and 1.7% other racial or ethnic groups. This population boasts an array of immigrant groups whose language, culture, religious affiliations, and other mores infuse a rich vibrancy within the neighborhoods.

Much of the service area is characterized by poverty and it is estimated that one in three individuals in the service area live in poverty. Most children of poor, inner-city families residing in the Wyckoff's service area are headed by single mothers. Wyckoff has 100,000 female-headed households in its service area and nearly 57 percent of them have a child under 18. They are at much higher risk for problems that compromise their health, expose them to various forms of violence and produce adverse birth outcomes for their babies. Data indicates that Brooklyn women are twice as likely to receive late or no prenatal care as compared to mothers nationwide.

Wyckoff is somewhat isolated from other hospitals in Brooklyn. It is located in the Northeast quadrant of Brooklyn with no other hospitals in its primary service area, and only Woodhull Medical and Mental Health Center ("Woodhull"), a 394-bed acute care hospital that includes 133 psychiatric beds and is operated by the New York City Health and Hospitals Corporation, located in its secondary service area. Woodhull is 1.6 miles or 10 minutes from Wyckoff. Notwithstanding the absence of other hospitals in Wyckoff's service area, a significant percentage of people in the service area obtain care from other Brooklyn, Queens and Manhattan hospitals.

The following table shows Wyckoff's inpatient discharges by service type and inpatient discharges by payor for fiscal years 2012 and 2013.

INPATIENT DISCHARGES	2012	Percentage of Revenue	2013	Percentage of Revenue
BED TYPE				
Medical	11,245	59.9%	9,715	61.3%
Surgical	1,854	9.9%	1,759	11.1%
GYN	440	2.3%	288	1.8%
Pediatrics	1,911	10.2%	1,090	6.9%
OB	1,873	10.0%	1,614	10.2%
NICU	117	0.6%	125	0.8%
Newborn	1,337	7.1%	1,250	7.9%
TOTAL	18,777	100.0%	15,841	100.0%
PAYOR TYPE				
Medicare FFS	3,625	19.3%	2,805	17.7%
Medicare HMO	2,355	12.5%	2,360	14.9%
Medicaid FFS	2,286	12.2%	1,737	11.0%
Medicaid HMO	7,496	39.9%	6,201	39.1%
Medicaid Pending	432	2.3%	492	3.1%
Blue Cross	842	4.5%	705	4.5%
HMO	809	4.3%	964	6.1%
Commercial and Others	722	3.8%	391	2.5%
Private Pay	210	1.1%	186	1.2%
TOTAL	18,777	100.0%	15,841	100.0%

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The following table shows Wyckoff's patient days for fiscal years 2012 and 2013.

PATIENT DAYS	2012	Percentage of Revenue	2013	Percentage of Revenue
BED TYPE				
Medical	57,090	71.1%	49,852	70.6%
Surgical	7,231	9.0%	7,335	10.4%
GYN	1,103	1.4%	666	0.9%
Pediatrics	3,843	4.8%	2,606	3.7%
OB	5,353	6.7%	4,468	6.3%
NICU	2,107	2.6%	2,562	3.6%
Newborn	3,562	4.4%	3,133	4.4%
TOTAL	80,289	100.0%	70,622	100.0%
PAYOR TYPE				
Medicare FFS	22,135	27.6%	16,239	23.0%
Medicare HMO	13,778	17.2%	13,914	19.7%
Medicaid FFS	9,552	11.9%	7,836	11.1%
Medicaid HMO	25,596	31.9%	23,016	32.6%
Medicaid Pending	1,173	1.5%	1,401	2.0%
Blue Cross	2,864	3.6%	2,596	3.7%
HMO	2,537	3.2%	3,412	4.8%
Commercial and Others	2,106	2.6%	1,567	2.2%
Private Pay	548	0.7%	641	0.9%
TOTAL	80,289	100.0%	70,622	100.0%

The following table shows the average length of stay for fiscal years 2012 and 2013.

AVERAGE LENGTH OF STAY	2012	2013
BED TYPE		
Medical	5.1	5.1
Surgical	3.9	4.2
GYN	2.5	2.3
Pediatrics	2.0	2.4
OB	2.9	2.8
NICU	18.0	20.5
Newborn	2.7	2.5
TOTAL	4.3	4.5
PAYOR TYPE		
Medicare FFS	6.1	5.8
Medicare HMO	5.9	5.9
Medicaid FFS	4.2	4.5
Medicaid HMO	3.4	3.7
Medicaid Pending	2.7	2.8
Blue Cross	3.4	3.7
HMO	3.1	3.5
Commercial and Others	2.9	4.0
Private Pay	2.6	3.4
TOTAL	4.3	4.5

The following table shows the case mix index for fiscal years 2012 and 2013.

CASE MIX INDEX	2012	2013
PAYOR TYPE		
Medicare FFS	1.40	1.48
Medicare HMO	1.26	1.42
Medicaid FFS	1.10	0.97
Medicaid HMO	0.69	0.87
Blue Cross	1.23	1.45
HMO	1.23	1.33
Commercial and Others	1.00	1.49
Private Pay	0.80	0.74
TOTAL	1.01	1.14

The following table shows Wyckoff's outpatient utilizations for fiscal years 2012 and 2013.

OUTPATIENT UTILIZATION	2012	Percentage of Revenue	2013	Percentage of Revenue
Total Emergency Department Visits	88,285	44.0%	87,411	43.4%
Ambulatory Surgery Cases	7,006	3.5%	6,945	3.4%
Total Clinic Visits	105,223	52.5%	107,072	53.2%
TOTAL	200,514	100.0%	201,428	100.0%

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The following table compares Wyckoff's inpatient discharges by service type for the first nine months of 2013 and 2014.

INPATIENT DISCHARGES	September 30, 2013	Percentage of Revenue	September 30, 2014	Percentage of Revenue
BED TYPE				
Medical	7,304	61.5%	6,973	61.9%
Surgical	1,319	11.1%	1,115	9.9%
GYN	215	1.8%	193	1.7%
Pediatrics	838	7.1%	764	6.8%
OB	1,202	10.1%	1,152	10.2%
NICU	94	0.8%	101	0.9%
Newborn	911	7.7%	964	8.6%
TOTAL	11,883	100.0%	11,262	100.0%
PAYOR TYPE				
Medicare FFS	2,165	18.2%	1,890	16.8%
Medicare HMO	1,776	14.9%	1,823	16.2%
Medicaid FFS	1,385	11.7%	1,328	11.8%
Medicaid HMO	4,642	39.1%	4,304	38.2%
Medicaid Pending	249	2.1%	502	4.5%
Blue Cross	538	4.5%	510	4.5%
HMO	733	6.2%	554	4.9%
Commercial and Others	298	2.5%	292	2.6%
Private Pay	97	0.8%	59	0.5%
TOTAL	11,883	100.0%	11,262	100.0%

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The following table shows Wyckoff's patient days for the first nine months of 2013 and 2014.

PATIENT DAYS	September 30, 2013	Percentage of Revenues	September 30, 2014	Percentage of Revenues
BED TYPE				
Medical	37,225	70.1%	37,105	72.0%
Surgical	5,707	10.7%	4,731	9.2%
GYN	501	0.9%	491	1.0%
Pediatrics	1,975	3.7%	1,779	3.4%
OB	3,312	6.2%	3,289	6.4%
NICU	2,078	3.9%	1,835	3.6%
Newborn	2,304	4.3%	2,340	4.5%
TOTAL	53,102	100.0%	51,570	100.0%
PAYOR TYPE				
Medicare FFS	12,383	23.3%	11,673	22.6%
Medicare HMO	10,648	20.1%	10,677	20.7%
Medicaid FFS	6,071	11.4%	6,770	13.1%
Medicaid HMO	17,209	32.4%	15,922	30.9%
Medicaid Pending	665	1.3%	1,567	3.0%
Blue Cross	1,927	3.6%	1,665	3.2%
HMO	2,728	5.1%	2,154	4.2%
Commercial and Others	1,173	2.2%	930	1.8%
Private Pay	298	0.6%	204	0.4%
TOTAL	53,102	100.0%	51,562	100.0%

The following table shows Wyckoff's average length of stay for the first nine months of 2013 and 2014.

AVERAGE LENGTH OF STAY	September 30, 2013	September 30, 2014
BED TYPE		
Medical	5.1	5.3
Surgical	4.3	4.2
GYN	2.3	2.5
Pediatrics	2.4	2.3
OB	2.8	2.9
NICU	22.1	18.2
Newborn	2.5	2.4
TOTAL	4.5	4.6
PAYOR TYPE		
Medicare FFS	5.7	6.2
Medicare HMO	6.0	5.9
Medicaid FFS	4.4	5.1
Medicaid HMO	3.7	3.7
Medicaid Pending	2.7	3.1
Blue Cross	3.6	3.3
HMO	3.7	3.9
Commercial and Others	3.9	3.2
Private Pay	3.1	3.5
TOTAL	4.5	4.6

The following table shows Wyckoff's case mix index for the first nine months of 2013 and 2014.

CASE MIX INDEX	September 30, 2013	September 30, 2014
PAYOR TYPE		
Medicare FFS	1.46	1.48
Medicare HMO	1.44	1.42
Medicaid FFS	0.96	0.97
Medicaid HMO	0.88	0.87
Blue Cross	1.34	1.45
HMO	1.38	1.33
Commercial and Others	1.46	1.49
Private Pay	0.83	0.74
TOTAL	1.15	1.14

The following table shows Wyckoff's utilization for the first nine months of 2013 and 2014.

OUTPATIENT UTILIZATION	September 30, 2013	Percentage of Revenue	September 30, 2014	Percentage of Revenue
Total Emergency Department Visits	88,285	44.0%	87,411	43.4%
Ambulatory Surgery Cases	7,006	3.5%	6,945	3.4%
Total Clinic Visits	105,223	52.5%	107,072	53.2%
TOTAL	200,514	100.0%	201,428	100.0%

The biggest challenge for Wyckoff is that it serves an indigent and underserved community. Fifty-one percent (51%) of Wyckoff's patients are covered under the state's Medicaid program and most of those (78%) opted to have their coverage administered by a Managed Care carrier. Another three percent (3%) of Wyckoff's patients are completely uninsured. One Wyckoff initiative to provide health care to the uninsured is an aggressive Medicaid application program. Wyckoff will prescreen patients, based on financial status, to qualify patients for the State's Medicaid program. If the patient is determined to be a candidate, Wyckoff will complete the Medicaid application for the patient at Wyckoff's expense. If successful, Wyckoff will be paid for the services provided by Medicaid and in turn, the patient will have Medicaid coverage for future health care needs.

Since patients have to be at the poverty level to qualify for Medicaid, another Wyckoff program to provide health care to the needy is a sliding fee scale that offers discounts for patients that do not qualify for Medicaid. Patients can qualify for discounts with family income levels up to 300% of the federal poverty level. This enables those working poor without insurance to receive health care that they otherwise could not afford. Traditionally, the hospital industry charged self-pay patients higher rates than the hospitals receive from government or commercial payers. Wyckoff has instituted a discounted self-pay fee schedule to alleviate this burden. Again, this enables uninsured patients, regardless of financial status, to receive health care that they otherwise may not seek, but further strains Wyckoff's financial resources.

In 2013 Wyckoff provided to the communities it serves a total of $19.4 million of uncompensated care in the form of charity care and uncollectible accounts. Having to provide uncompensated health care at this disproportionate level weakens the financial viability of Wyckoff. However, Wyckoff will continue to fulfill its mission of providing health care to its community without compromising safety or quality.

Recent federal health care reform legislation and ongoing reductions in Medicare and Medicaid reimbursement will require Wyckoff to develop a tightly integrated service model which provides for an increased coordination of patient care and reduces duplicative efforts and services. System fragmentation among doctors, medical groups, outpatient centers and hospitals will need to be minimized.

Wyckoff has begun efforts to improve the integration of clinical relationships with private physician office practices in the Hospital's primary and secondary service areas. The Medical Center has developed a patient centered medical home model of care to improve the coordination of health care services provided to patients residing in these areas. Wyckoff is currently working with the New York City Division of Health Care Access and Improvement to assist local physicians with the installation of electronic health records in their private office practices. Wyckoff's intent is to provide an interoperable information technology infrastructure for all of its service area health care providers to establish the ability to share clinical information electronically.

Reimbursement

*Medicare and Medicaid Program***.** Medicare and Medicaid are the commonly used names for health care reimbursement or payment programs governed by certain provisions of the federal Social Security Act Amendments of 1965. The government uses reimbursement as a key tool to implement health care policies, to allocate health care resources and to control utilization, facility and provider development and expansion, and technology use and development. Medicare Part A covers institutional health services, including hospital, home health care, nursing home care, inpatient rehabilitation, and certain other services, and Medicare Part B covers certain physician services, outpatient hospital services, medical supplies, and durable medical equipment. The Medicare Advantage Program, also known as Medicare Part C, enables Medicare beneficiaries who are entitled to Part A and are enrolled in Part B to choose to obtain their benefits through a variety of risk-based plans. The Medicare Part D Program covers most outpatient prescription drugs. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is funded by federal and state appropriations and is administered by an agency of the applicable State.

Medicare. Medicare is administered by the Centers for Medicare and Medicaid Services ("CMS"), an agency of the U.S. Department of Health and Human Services ("DHHS"), which delegates to the states the process for certifying those organizations to which CMS will make payment. DHHS's rule-making authority is substantial and the rules governing Medicare are extensive and complex. Substantial deference is given by courts to rules promulgated by DHHS.

Medicare claims are processed by non-government organizations or agencies that contract to serve as the fiscal agent between providers and the federal government. These claims processors are known as "contractors". They apply the Medicare coverage rules to determine the appropriateness of claims. CMS selects contractors in various states or regions, and enters into a "prime contract" with each. Institutions that participate in the Medicare program must agree to be bound by the terms and conditions of the program such as meeting the standards for rendering covered services and adopting and enforcing policies to protect patients from certain discriminatory practices.

Medicare Part A pays acute care hospitals for most inpatient services under a payment system known as the "Prospective Payment System" or "PPS". Under PPS, the amounts payable for services are set in advance of the services being rendered. The Institution must budget and manage its resources to attempt to provide the reimbursed item or services within the payment amount for the services.

Acute care hospitals such as the Institution are paid a specified amount towards their operating costs for inpatient services based on the Diagnosis Related Group ("DRG") to which each Medicare patient is assigned, as part of a prospective payment system. The amount paid is determined by the diagnosis and procedure and other factors for each particular inpatient stay. Hospitals are also reimbursed on a fully prospective basis for capital costs (including depreciation and interest) related to the provision of inpatient services to Medicare beneficiaries. The amount paid for each DRG is established prospectively by CMS and is not directly related to a hospital's actual costs. For certain Medicare beneficiaries who have unusually costly hospital stays ("outliers"), CMS will provide additional payments above those specified for the DRG. Medicare also provides additional payments for hospitals with teaching programs, and for hospitals that treat a "disproportionate share" of Medicaid or low income patients (such payments are known as Disproportionate Share Hospital ("DSH"). In 2013, Wyckoff received approximately $20.4 million in Medicare teaching hospital payments, and $13.1 million payments from Medicare DSH payments (such payments are known as Disproportionate Share Hospital ("DSH") payments). These payments are targeted for reduction under the Health Care Reform Law. *See* "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Reimbursement - New York State Disproportionate Share Hospital (DSH) Payments".

Hospital outpatient services are also paid under a prospective payment system, pursuant to which services are classified into groups called Ambulatory Payment Classes or APCs. Services in each APC are expected to be similar clinically and in terms of the resources they require. A payment rate is established for each APC.

Certain physician services are reimbursed on the basis of a national Medicare fee schedule. The Medicare physician fee schedule establishes payment amounts for physician services, including services of provider-based physicians, and is subject to annual updates. Statutory limits on the growth of Medicare payments for physician related services may result in lower Medicare payments for physician services over time, although Congress has annually adopted legislation preventing its implementation.

*Medicaid and Other State Health Care Programs***.** Unlike Medicare which is an exclusively federal program, Medicaid is a partially federally-funded state program of medical care for the poor. States obtain federal funds for their Medicaid and related programs (e.g., Children's Health Insurance Program ("CHIP")) by obtaining the approval of CMS of a "state plan" which conforms to Title XIX of the Social Security Act and its implementing regulations. Within broad national guidelines which the federal government provides, each state establishes its own eligibility standards, determines the type, amount, duration, and scope of services, sets the rate of payment for services, and administers its own program. Thus, the Medicaid program varies considerably from state to state, as well as within each state over time. After its state plan is approved, a state is entitled to federal matching funds for Medicaid expenditures.

Medicaid operates as a vendor payment program. Subject to federally-imposed upper limits and specific restrictions, States may either pay providers directly or may pay for Medicaid services through various prepayment arrangements such as HMOs. Providers participating in Medicaid must accept Medicaid payment rates as payment in full. States must make additional payments to qualified hospitals that provide services to a disproportionately large number of Medicaid, low income and/or uninsured patients, and an additional payment is made for teaching services.

New York State's Medicaid program is very comprehensive, providing coverage for inpatient and outpatient hospital services, physician services, preventive health and dental care, mental health services, and prescription drugs, as well as numerous other health care services. NYS also offers an array of Medicaid managed care programs, with nearly three million beneficiaries receiving care through such programs. See "PART 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Medicare and Medicaid Managed Care".

NYS has been a national leader in providing coverage to the uninsured for many years. Beginning with the inception of the program, New York was one of the few states that covered low-income adults without children. In the early 1990's, New York expanded coverage for children with its Child Health Plus program, a health insurance program that provides a benefit package similar to employer-based health insurance. Today, New York continues to provide coverage well above national minimum income levels through its Medicaid, Child Health Plus, and Family Health Plus programs. (The Family Health Plus program operates under a Medicaid 1115 waiver, which allows the State to provide a benefit package that is less comprehensive than the standard Medicaid benefit package. This benefit package is similar to the package provided under the Child Health Plus program.) New York's per capita Medicaid spending is the highest in the country. The State recently implemented a State Global Medicaid Cap, which put a cap on the amount of New York state's share of Medicaid spending, which commenced in the Fiscal Year ended 2012. The amount of the cap is an actual dollar amount for the Fiscal Years ended 2012 – 2015 and increases each year thereafter based upon on a ten year rolling average of the medical portion of the consumer price index. To date, the State Medicaid expenditures have not exceeded the State Global Medicaid Cap in any year.

New York State's Medicaid program also provides for teaching hospital and DSH payments to hospitals, including Wyckoff, that serve communities with large numbers of medically indigent and uninsured patients.

In 2013, Wyckoff received approximately $16.3 million of Medicaid teaching hospital funding and $21 million of Medicaid DSH funding. These payments are targeted for reduction under the Health Care Reform Law.

*Conditions of Participation***.** Hospitals must comply with standards called "Conditions of Participation" to be eligible for Medicare and Medicaid reimbursement. CMS is responsible for ensuring that hospitals meet these regulatory Conditions of Participation. Under applicable Medicare rules, hospitals accredited by the Joint

Commission are deemed to meet the Conditions of Participation. Failure to maintain The Joint Commission accreditation or to otherwise comply with the Conditions of Participation or other applicable state licensing requirements could have a material adverse effect on the revenues of the Institution.

Medicare and Medicaid Managed Care

The Medicare Program has encouraged the development of private health plan options for Medicare beneficiaries through the "Medicare Advantage" program. Enrollment in a Medicare Advantage plan is voluntary and enrollees may dis-enroll and re-enroll in the traditional fee-for-service Medicare system at specified times. Medicare Advantage plans include coordinated care plans (e.g., health maintenance organizations, provider-sponsored organizations, regional or local preferred provider organizations); private fee-for-service plans; and Medical Savings Account ("MSA") plans. Each Medicare Advantage plan, except an MSA plan, is required to provide benefits approved by the Secretary of HHS. A Medicare Advantage plan will receive a monthly capitated payment from HHS for each Medicare beneficiary who has elected coverage under the plan. Health care providers, such as the Institution, must contract with Medicare Advantage plans to treat Medicare Advantage enrollees at agreed upon rates or they may form a PSO to contract directly with HHS as a Medicare Advantage plan. Covered inpatient emergency services rendered to a Medicare Advantage beneficiary by an out-of-network hospital (i.e., a hospital that has not entered into a contract with a Medicare Advantage plan) will be paid at Medicare fee-for-service payment rates as payment in full. There can be no assurance, however, that rates negotiated for the treatment of Medicare Advantage enrollees will be sufficient to cover the cost of providing services to such patients of the Institution.

In order to control Medicaid expenditures, the State has also sought to enroll large numbers of Medicaid patients in managed care programs because experience in other states has shown that inpatient utilization decreases for Medicaid recipients who are enrolled in such programs. The State's program for mandatory Medicaid enrollment, The Partnership Plan (also known as the "1115 Waiver"), was approved by CMS in July 1997, allowing the State to begin enrolling most Medicaid recipients in managed care plans. Mandatory enrollment programs are now in place in all of New York City and a large portion of the Medicaid eligible population has been enrolled in managed care plans. The change to Medicaid managed care may also result in a decrease in Medicaid patient revenue over time, although currently the contracts in place are at, or just slightly below, traditional Medicaid reimbursement. The teaching component of Medicaid reimbursement continues to be paid by the State directly to hospitals. The Institution cannot assess or predict whether enrollment in Medicare and Medicaid managed care will grow or decrease, or the impact of such growth or decrease, if any. In January 2011, in his first weeks in office, the Governor formed the Medicaid Redesign Team (or "MRT"), through Executive Order No. 5.. The MRT was a 27 member voting board comprised of leaders from the business, insurance, consumer and health care provider communities, which was tasked with crafting a first year Medicaid budget proposal as well as developing a multiyear reform plan. One of the more important initiatives adopted through the MRT is a program called "Care Management for All," which has the goal of enrolling ninety-five percent (95%) of the State's Medicaid beneficiaries into a care management plan, including the mental health and substance abuse, developmentally disabled and dual eligible (Medicare/Medicaid beneficiaries) populations which are currently excluded, and eliminating almost all Medicaid fee-for-service spending in favor of capitated payment arrangements where the managed care organization is paid a fixed payment by the State and is responsible for managing the patient care of beneficiaries and reimbursing providers.

Future actions by the federal and State governments are expected to continue the trend toward more restrictive limits on reimbursement for hospital services.

Managed Care Arrangements. The Institution has agreements with commercial insurance/managed care payors, including Medicare and Medicaid managed care payors, that accounted for 13% of the Institution's 2013 inpatient admissions.

Delivery System Reform Incentive Payment (DSRIP) Program

On April 14, 2014, the Governor announced that New York finalized terms and conditions with CMS on a federal Medicaid waiver that would allow the State to reinvest $8 billion in federal savings expected to be generated by New York's Medicaid redesign initiatives to support further changes in the State's health care system (the "Delivery System Reform Incentive Payment" or "DSRIP"). The DSRIP program will promote community-level collaborations, called Performing Provider Systems (or "PPS's") and focus on system reform with the primary goal of reducing avoidable hospital use by 25% over five years. Safety net providers will be required to collaborate to implement innovative projects. Single providers will be ineligible to apply. All DSRIP funds will be based on performance linked to achievement of milestones related to system transformation, clinical improvement and population health improvement.

The $8 billion reinvestment will be allocated as follows:

- $500 million for the Interim Access Assurance Fund – temporary, time-limited funding to ensure that current Medicaid safety net providers can fully participate in the DSRIP transformation without disruption;

- $6.42 billion for DSRIP Payments – including DSRIP Planning Grants, DSRIP Provider Incentive Payments, and DSRIP administrative costs; and

- $1.08 billion for other Medicaid redesign purposes – including investments in long term care, workforce and enhanced behavioral services.

Qualifying DSRIP participants are Safety Net Providers as defined by the State to include public hospitals (Health and Hospitals Corporation of New York City, State University of New York Medical Centers, Nassau University Medical Center, Westchester County Medical Center, Erie County Medical Center), Critical Access Hospitals, Sole Community Hospitals and safety net hospitals that serve at least 30% of all Medicaid, uninsured and Dual Eligible members in the proposed country or multi-county community. Safety net hospitals must also have at least 35% of all patient volume in their outpatient lines of business associated with Medicaid, uninsured and Dual Eligible individuals and at least 30% of inpatient treatment must be associated Medicaid, uninsured and Dual Eligible individuals. Non-hospital based providers are DSRIP eligible so long as they are not participating as part of a state-designated health home, and have at least 35% of all patient volume in their primary line of business and associated with Medicaid, uninsured and Dual Eligible individuals. Non-hospital based providers can be Safety Net Providers and therefore qualify for DSRIP payments so long as they are not participating as part of a state-designated health home, and have at least 35% of all patient volume in their primary line of business and associated with Medicaid, uninsured and Dual Eligible individuals. In addition, the State has made certain other exceptions to the Safety Net Provider definition through a Vital Access Provider (or "VAP") Exception appeal process approved by CMS. Non-qualifying providers can participate in DSRIP, however, they are only eligible to receive DSRIP payments totaling no more than five percent of a project's total valuation. CMS can approve payments above this amount if it is deemed in the best interest of Medicaid members attributed to the Performing Provider System.

To date, as a safety net hospital, Wyckoff has received $7.3 million in funding from the Interim Access Assurance Fund, and Management has been advised that it will receive an additional $6.2 million. Wyckoff is a partner in the DSRIP Performing Provider System in formation lead by Maimonides Medical Center. *See* "Part 8 – BONDHOLDERS' RISKS – Delivery System Reform".

Health Care Reform and Other Government Initiatives

On March 23, 2010, President Obama signed into law the PPACA. On March 30, 2010, he signed into law the Reconciliation Act of 2010 ("Reconciliation Act" and together with the PPACA, the "Health Care Reform Law"). Together these laws represent major changes in health care. Hospitals may be helped by the Health Care Reform Law to the extent that individuals who were uninsured or underinsured gain access to fuller coverage for hospital services by increasing revenue and lowering the cost of uncompensated care.

In order to pay for health reform there have been and will be (i) reductions in amounts paid to Medicare Advantage plans, (ii) reductions in disproportionate share payments to hospitals beginning in 2014, and (iii) controls on Medicare spending, all of which may adversely affect hospitals. In addition, the Health Care Reform Law requires pilot studies and demonstration projects to reduce hospital readmission and post-acute care costs, including bundling payments for hospital care with physicians, or with physicians and post-acute care providers such as skilled nursing facilities and home health agencies. In addition, penalties are now imposed for certain readmissions within 30 days of discharge. As a result, hospitals may be held financially responsible for hospital readmissions that are beyond their ability to control. Payments to hospitals may also be reduced if they fail to implement electronic health records in a manner required by the governments or if they fail to meet certain performance and quality standards. Medicare payments to hospitals have also been reduced as a result of the Two Midnight Rule. Under this Federal policy adopted in 2013, a Medicare beneficiary is not allowed to be billed as an "inpatient" unless the admitting physician expects that beneficiary to need care in the hospital for a period spanning two midnights.

Because of the complexity of health care reform generally, additional legislation is likely to be considered and enacted over time. The Health Care Reform Law, and any subsequent health care reform legislation, will require the promulgation of substantial regulations with significant effect on the health care industry. Thus, the health care industry will be subjected to significant new statutory and regulatory requirements, and consequently to structural and operational changes and challenges, for a substantial period of time.

Efforts to repeal the Health Care Reform Law have been made, and numerous lawsuits have been filed that challenge the constitutionality of various provisions of the Health Care Reform Law. As of now, it continues, as a general matter, to be implemented.

The Health Care Reform Law changes the sources and methods by which consumers pay for health care for themselves and their families and by which employers procure health insurance for their employees and dependents, consequently expanding the base of consumers of health care services. One of the primary drivers of recent health care reform is to provide or make available, or subsidize the premium costs of health care insurance for uninsured (or underinsured) consumers who fall below certain income levels. The Health Care Reform Law proposes to accomplish these objectives through various provisions, including: (i) the creation or active markets (referred to as exchanges) in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iii) establishment of insurance reforms that expand coverage generally through such provisions as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, (iv) expansion of existing public programs, including Medicaid for individuals and families, and (v) expansion of the program of insurance currently available to federal employees. To the extent all or any of those provisions produce the intended result, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected and bad debt expenses may be reduced.

Some of the specific provisions of Health Care Reform Law that may affect the Institution's operations, financial performance or financial condition are described below. *See* "Part 8 – BONDHOLDERS' RISKS – Health Care Reform". *This listing is not intended to be, nor should be considered by the reader as comprehensive. The Health Care Reform Law is complex and comprehensive, and includes a myriad of new programs and initiatives and changes to existing programs, policies, practices and laws. The reader is encouraged to review more comprehensive summaries and analyses of the Health Care Reform Law available in the public media.*

With varying effective dates, the annual Medicare market basket updates for many providers, including hospitals, are reduced, and adjustments to payment for expected productivity gains would be implemented.

Effective in 2012, Medicare payments that would otherwise have been made to hospitals were reduced by specified percentages to account for excess and "preventable" hospital readmissions.

Effective in 2012, a value-based purchasing program was established under the Medicare program designed to pay hospitals based on performance on quality measures.

Commencing in 2014, Medicare DSH payments are reduced to account for reductions in the national rate of consumers who do not have health care insurance. Commencing in 2014, the Medicaid DSH allotment from federal funds is reduced, which may result in a material decline in reimbursement to Wyckoff.

Commencing in 2015, Medicare payments to certain hospitals for hospital-acquired conditions is reduced by 1%. Commencing in 2014, federal payments to states for Medicaid services related to health care-acquired conditions are prohibited.

The Health Care Reform Law mandates a reduction of waste, fraud, and abuse in public programs by allowing provider enrollment screening, enhanced oversight periods for new providers and suppliers, and enrollment moratoria in areas identified as being at elevated risk of fraud in all public programs, and by requiring Medicare and Medicaid program providers and suppliers to establish compliance programs. In addition, the Health Care Reform Law requires the development of a database to capture and share health care provider data across federal health care programs and provides for increased penalties for fraud and abuse violations, and increased funding for antifraud activities.

Effective for tax years commencing after March 2010, additional requirements for tax-exemption are imposed upon tax-exempt hospitals, including obligations to conduct a community needs assessment every three years; adopt implementation strategy to meet those identified needs; adopt and publicize a financial assistance policy; limit charges to patients who qualify for financial assistance to the lowest amount charged to insured patients; and control the billing and collection process. Failure to satisfy these conditions may result in the imposition of fines.

Commencing in 2015, the Health Care Reform Law establishes an Independent Payment Advisory Board to develop proposals to improve the quality of care and limitations on cost increases. Those proposals would be automatically implemented if Congress does not act to invalidate them.

In addition, the Health Care Reform Law provides for the implementation of various demonstration programs and pilot projects to test, evaluate, encourage and expand new payment structures and methodologies to reduce health care expenditures while maintaining or improving quality of care, including bundled payments under Medicare and Medicaid, and comparative effectiveness research programs that compare the clinical effectiveness of medical treatments and develop recommendations concerning practice guidelines and coverage determinations. Other provisions encourage the creation of new health care delivery programs, such as "accountable" care organizations, or combinations of provider organizations, that voluntarily meet quality thresholds to share in the cost savings they achieve for the Medicare program.

Management of the Institution continues to assess the effect of the Health Care Reform Law on current and projected operations, financial performance and financial condition. However, management cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation or whether additional health care reform legislation will be enacted.

Regulations; Fraud and Abuse Laws

The Hospital is subject to various laws and regulations with respect to the Hospital's operations including participation in Medicare and Medicaid. The Hospital is also subject to state and federal antikickback laws and Stark laws, as well as state and federal false claims laws. These laws and regulations, as well as others, are discussed below in "Part 8 – BONDHOLDERS' RISKS".

Labor Relations and Collective Bargaining

Wyckoff is currently subject to Collective Bargaining Agreements with the following entities: Committee of Interns and Residents/SEIU, 1199SEIU United Healthcare Workers East, New York State Nurses Associations, Building Construction Trades Council of Greater New York and Vicinity, Special and Superior Officers Benevolent Association, and Service, Product, Merchandising, Whole Distribution, Clerical & Health Related Services, Airline, Airport and Aerospace Employees Union, Local 210, International Brotherhood of Teamsters. Wyckoff's union employees are generally included in the pension, health and welfare plans of their collective bargaining units. Under these plans, Wyckoff is required to make payments based on contractual amounts. *See* "Part 8 – BONDHOLDERS' RISKS – Labor Relations and Collective Bargaining". As of December 1, 2014, Wyckoff was two months in arrears in payments due for pension and health and welfare benefits associated with its collective bargaining agreements.

Pension Plans

Non-union employees are generally eligible and participate in The Savings Plan for Employees of Wyckoff Heights (the "Plan"). Wyckoff can make discretionary contributions into the Plan each year, which shall be determined annually by the Board of Trustees, with separate contribution determinations made for each employment classification as specified in the Plan. There were no contributions to the Plan for years 2013 and 2012.

1. On March 14, 2008, Wyckoff submitted to the IRS, a request for waiver of the 2007 minimum funding standard required under the rules applicable when the Plan was a Money Purchase Pension Plan for $5,944,265. Wyckoff began making installment payments on the minimum funding standard in 2009. Payments of $899,180 and $1,205,000 were made in 2013 and 2012 respectively. As of December 2013, the amounts were fully funded, excluding any accrued interest.

On July 17, 2014, the IRS issued a tentative decision granting the waiver request subject to the following conditions:

(i) Wyckoff adopts a standard plan amendment;

(ii) Wyckoff provides a representation to the IRS that it has made sufficient contributions to the Plan to fully amortize the funding waiver; and

(iii) Wyckoff provides a representation to the IRS that participant accounts have been restored.

Wyckoff is continuing to work with the IRS to obtain a positive result with respect to the waiver request. Wyckoff submitted proposed revisions to the standard plan amendment proposed by the IRS on October 3, 2014, which included a change in the manner in which lost earnings should be calculated. The IRS has not yet responded to this proposal.

2. Management plans to file through the IRS Voluntary Correction Program (VCP) a corrective filing in order to obtain a compliance statement from the IRS in connection with the correction made to the Plan due to the failure to complete nondiscrimination testing required under Internal Revenue Code Section 401(a)(4) for Plan years 2002 to 2007. The Plans actuary determined that in order to satisfy the nondiscrimination testing requirements, corrective contributions in the amounts of $4,646.21 and $2,165.17 were required to have been made with respect to the 2005 and 2006 Plan years. These amounts have been contributed to the Plan, along with an additional amount attributable to lost earnings. The correction of the Plan's failure to satisfy nondiscrimination requirements for the 2005 and 2006 Plan years is conditioned on receipt of a compliance statement from the IRS. In connection with the issuance of a compliance statement, the IRS may require that additional amounts be contributed to the Plan.

Professional Liability Claims and General Liability Insurance

The Medical Center was self-insured for its primary professional liabilities for the period April 1, 1979 through May 31, 1997.

For the period from June 1, 1997 to May 31, 1998, the Medical Center purchased primary and excess professional liability insurance from a commercial carrier.

Effective June 1, 1998 through September 17, 2004, the Medical Center purchased occurrence-based primary and multiple layers of excess professional and general liability insurance from commercial insurance carriers and Network Insurance Company Ltd. (NICL), an offshore captive insurance company that was affiliated with New York-Presbyterian Healthcare System. Effective September 18, 2004, the Medical Center began a self-insurance program for its primary layer of professional liability. In 2005, the Medical Center retroactively discontinued its initial layer of excess professional liability covered, provided by NICL, effective September 18, 2004, and assumed this exposure through its self-insurance program through the present.

Professional liability and other claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing. Some have been or may ultimately be brought to trial and some have resulted in judgments and liens against Wyckoff. Management believes that the substantive obligations that underlie the liens have been resolved and the liens will be released upon discussions and agreement with plaintiff's counsel. There are also known incidents that have occurred that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past.

The Medical Center records estimated liabilities related to professional liability claims occurring during self-insured periods for asserted and unasserted claims and for claims incurred but not reported. Such estimates are based upon valuations prepared by consulting actuaries and the advice of legal counsel. Actuarial valuations are based upon complex calculations, which utilize factors such as historical claim experience and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known. Estimated undiscounted professional liabilities at December 31, 2013 and 2012 aggregating approximately $35.5 million and $37.7 million, respectively, have been recorded in the accompanying consolidated statements of financial position.

The Medical Center utilized a revocable self-insurance trust fund for purposes of funding its self-insurance program. As of December 31, 2013, the board of directors had designated $3.6 million for estimated self-insured professional liabilities as assets limited or restricted as to use and this amount was reduced to $2.1 million as of December 31, 2014. This amount is not set aside in a trust, and may not be available to pay claims as they become due. Wyckoff does not have sufficient malpractice insurance, trust fund assets or other available resources to pay a material malpractice liability.

The Medical Center has also recorded its estimation of insured malpractice claims associated with its employed physicians and the related amount of insurance recoverable, which totaled $25.4 million and $27 million as of December 31, 2013 and 2012, respectively. *See* "Part 8 – BONDHOLDERS' RISKS – General and Professional Liability".

Litigation

In addition to malpractice claims discussed in "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Professional Liability Claims and General Liability Insurance," Wyckoff is subject to miscellaneous claims related to employment, contract and other matters. The Institution generally does not have insurance coverage for such claims.

Summary of Historical Revenue and Expenses

The following Summary of Statement of Revenue and Expenses of Wyckoff (the "Summary") for each year in the two-year period ended December 31, 2013 and 2012 has been derived from Wyckoff's audited financial statements. The audited Consolidated Statements of Financial Position of Wyckoff as of December 31, 2013 and 2012 and the related Consolidated Statements of Operations and Net Asset Deficiency and Consolidated Statements of Cash Flows for the years then ended, together with the reports of independent auditors, are set forth in Appendix E-1. The independent auditors' report include an emphasis regarding Wyckoff's losses from operating activities and nonoperating activities in recent years, its net working capital deficit and net asset deficiencies that raise substantial doubt about Wyckoff's ability to continue as a going concern, or to make payments under the Loan Agreement.

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The data in the Summary for the nine-month periods ended September 30, 2014 and September 30, 2013, which were not audited, reflect, in the opinion of management, all adjustments (which include normal recurring adjustments) necessary to summarize fairly the results for such periods. The results for the nine-month periods ended September 30, 2014 and September 30, 2013 should not be considered indicative of the results for the full fiscal years. The Summary should be read in conjunction with the audited financial statements and related notes to the financial statements of Wyckoff and the reports of independent auditors included in Appendix E-1 and the information set forth in Appendix E-2.

WYCKOFF HEIGHTS MEDICAL CENTER
Summary of Historical Revenue and Expenses
(In thousands)

	Audited Years Ended December 31, 2013	Audited Years Ended December 31, 2012	Unaudited Nine months ended September 30, 2014	Unaudited Nine months ended September 30, 2013
Unrestricted revenues, gains, and other support:				
Net patient service, before bad debts	$ 259,571	$ 263,166	$ 196,106	194,530
Provision for bed debts, net	(18,215)	(17,000)	(13,231)	(13,722)
Net patient service revenue less provisions for bed debts	241,356	246,166	182,875	180,808
Physician service revenue	20,474	17,955	16,827	14,334
Grants	4,407	3,648	6,502	3,367
Medical training program	6,460	8,094	3,851	5,169
Other revenue	3,982	4,877	1,800	1,057
Total operating revenues	276,679	280,740	211,855	204,735
Operating expenses:				
Salaries and wages	141,269	145,789	107,995	104,537
Employee benefits	42,999	41,816	30,934	31,692
Supplies and other	77,421	75,426	65,839	58,709
Interest and amortization of financing fees	5,759	4911	3343	3417
Depreciation and leasehold improvement amortization	9,057	9,104	5,628	7,128
Total operating revenues	276,505	$ 277,046	213,739	205,483
Excess of revenues over expense from operations	174	3,694	(1,884)	(748)
Nonoperating revenue and expenses				
Investment income	109	76	73	72
Other expenses	–	12	–	–
Total nonoperating revenue and expenses	109	86	73	72
Excess (deficiency) of total revenue over total expenses	$ 283	3,780	$ (1,624)	$ 676

Sources: 2013 and 2012 audited consolidated financial statements; nine months ended September 30, 2014 and 2013 unaudited condensed consolidated financial statements and Medical Center records.

Management's Discussion and Analysis of Recent Financial Performance

Year Ended December 31, 2013 compared to year ended December 31, 2012.

In 2013, the Medical Center had a net gain from operations of $0.2 million, a decrease of $3.5 million from 2012.

For the year ended 2013 as compared to 2012 total operating revenue decreased by $4.1 million or 1.7%. Hospital management attributes the decrease in patient revenue to the decrease in patient volume of 3,036 fewer discharges. Provision for bad debts increased from $17.0 million to $18.2 million, a $1.2 million increase, because of the increased reserves for uninsured accounts receivable and accounts receivable over one year old. The increase in other operating revenue is mainly attributable to increased physician service revenue due to enhanced billing procedures, which was to some extent offset by decreased medical training program revenue from a reduction in medical students.

Total expenses in 2013 decreased by $0.5 million as compared to the expenses in 2012: combined salaries, wages and benefits decreased by $3.3 million. The decrease was the result of reductions in force of approximately 125 employees. Offsetting this decrease were increases in supplies, other expenses and interest.

While the Medical Center has reflected small operating profits in the most recent fiscal years, as discussed in Note 3 to the consolidated financial stated included in Appendix E-1, there were significant changes in estimates related to reserves for accounts receivable and self-insured professional liabilities totaling $8.6 million and $13.2 million in fiscal years 2013 and 2012. In the absence of these changes in the estimates, both fiscal year 2013 and 2012 would have reflected significant operating losses.

The audited financial consolidated statements have been prepared assuming the Medical Center will continue as a going concern. As discussed in the consolidated financial statements, the Medical Center's losses in recent years, working capital deficit, and net asset deficiency has caused the Medical Center's auditors to have included a "going concern" footnote. There can be no assurance that the Medical Center will continue as a going concern or to make payments under the Loan Agreement.

Management plans to include identifying revenue enhancements and cost reductions and is developing strategies to improve the Medical Center's financial condition. This includes revenue cycle improvements for billings and collections of patient revenue, workforce reductions and settlements with vendors. However, there can be no assurance that management's plan will be sufficient or timely enough to generate sufficient cash to meet its operating needs and achieve financial stability for the Medical Center. These uncertainties raise substantial doubt about the Medical Center's ability to continue as a going concern, or to make payments under the Loan Agreement, when due, or otherwise comply with its obligations under the Loan Agreement. The consolidated financial statements do not include any adjustments to reflect the possible future effects of recoverability of assets and classification of liabilities that may result from the outcome of this uncertainty.

Nine-month period ended September 30, 2014 compared to the nine-month period ended September 30, 2013.

For the nine-month period ended September 30, 2014 the Medical Center incurred net loss from operations of $1.9 million, an increase of $1.1 million from the corresponding period in 2013. Total revenue increased $7.1 million or 3.5% from the corresponding nine-month period in 2013. The increase is largely attributable to increases in emergency room and clinic utilization; grants from New York State of $4.3 million consisting of $3.3 million from the Interim Access Assurance Fund program and $1.0 million from the HEAL program; and increased physician services revenue ($2.5 million). Changes in estimates related to self-insured professional liabilities and amounts due to and from third-party payors reduced the net loss by approximately $0.9 million and $3 million for the nine-month periods ended September 30, 2014 and 2013, respectively.

Expenses during the nine-month period ended September 30, 2014 increased $8.3 million or 4.0% from the corresponding period in 2013. Salary and wages increased $3.5 million or 3.3% due to collective bargaining increases and hires related to professional clinic services.

Supplies and other expenses increased $7.1 million or 12.1%. This increase was largely in medical supplies, legal and other professional fees, and off- campus clinic space rentals.

Depreciation and amortization expense decreased $1.5 million or 21.0%. This decrease reflects an increase in fully depreciated assets in 2013 compared to 2014.

There remains substantial doubt about the Medical Center's ability to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments to reflect the possible future effects of recoverability of assets and classification of liabilities that may result from the outcome of this uncertainty.

PART 8 — BONDHOLDERS' RISKS

The following discussion of risks to Holders of the Series 2015 Bonds is not intended to be exhaustive, but rather to summarize certain matters which could affect payment of the Series 2015 Bonds, in addition to other risks described throughout this Official Statement.

General

The Series 2015 Bonds are not a debt or liability of the State or any political subdivision thereof, but are special and limited obligations of the Authority payable solely from the Revenues, and secured by a pledge of, the Revenues and certain amounts in the Special Debt Service Reserve Fund, the Capital Reserve Fund, and other funds held pursuant to the Resolution and the Series Resolution (excluding the Arbitrage Rebate Fund). The Authority has no taxing power.

Institution's Ability to Continue as a Going Concern

Under NYPHRM, the Institution was designated a Financially Distressed Hospital by the State Commissioner of Health. As noted in the Institution's financial statements on Appendix E-1, the Institution's working capital deficit, net asset deficiency and the resultant reduction in cash flow has caused the Institution's auditors and their prior auditors to have included a "going concern" footnote in each of the Institution's audited financial statements since 1998. Accordingly, there can be no assurance that the Institution will be able to comply with its obligations under the Loan Agreement.

General Factors Affecting the Institution's Financial Condition

Given the Institution's recent financial performance as reflected in its financial statements, and otherwise herein, there can be no assurance that the Institution will be able to generate sufficient revenues to timely make its required payments under the Loan Agreement. Future revenues and expenses of the Institution will be affected by events and economic conditions which may include an inability to control expenses in periods of inflation and other conditions, such as demand for health care services, including an anticipated continued decline in utilization of inpatient facilities, the capability of the management of the Institution, the receipt of grants and contributions, referring physicians' and self-referred patients' confidence in the Institution, the ability to meet demands for increasing connectivity with payors, patients and other providers, increased use of contracted discounted payment schedules with HMOs, PPOs, and other payors, the ability of the Institution to provide certain services required by patients (which often require substantial capital and operating expenses), the relationship of the Institution with physicians, the success of the Institution's strategic plans, the degree of cooperation among and competition with other hospitals in the Institution's area, changes in levels of private philanthropy, the costs of graduate medical education. malpractice claims and other litigation, economic and demographic developments in the United States and in the service areas in which facilities of the Institution are located, competition from other health care institutions, changes in interest rates that affect investment results, and changes in rates, costs, third-party payments (including, without limitation, Medicare and Medicaid program reimbursement) and governmental regulations concerning payment. Such factors, among others, may adversely affect revenues and expenses and, consequently, the Institution's ability to make payments pursuant to the Loan Agreement. *See* "PART 7 – WYCKOFF HEIGHTS MEDICAL CENTER," "Appendix E-1 — AUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 WITH REPORT OF INDEPENDENT AUDITORS" and "Appendix E-2 - UNAUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER AS OF AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013".

The Commissioner of Health designated the Institution as a Financially Distressed Hospital throughout the NYPHRM period in recognition of its negative financial position due to the provision of unreimbursed bad debt and charity care services. As a consequence of this historic designation, the Institution has qualified for participation in the Secured Hospital Program. *See* "PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER," "Appendix E-1—AUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 WITH REPORT OF INDEPENDENT AUDITORS," and "Appendix E-2—UNAUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER AS OF AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013".

As of December 1, 2014, management advised that there was no change in long-term debt (other than scheduled principal repayments and amortization of the original issue discount) or decrease in net current assets or total net assets of the Institution, as compared with the respective amounts for the Institution included in the audited financial statements of the Institution included as Appendix E-1 to this Official Statement, except for as otherwise stated in Appendix E-2 hereto. Management believes these results are comparable to the results for the same period in 2013, excluding the impact of non-recurring revenues. See "Appendix E-2—UNAUDITED FINANCIAL STATEMENT OF WYCKOFF HEIGHTS MEDICAL CENTER AS OF AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013". *See*

"PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER — Management's Discussion of Revenues and Expenses — Update".

Enforceability of Remedies; Bankruptcy

The Series 2015 Bonds are payable from the sources of payment and security described in "PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS". The practical realization of value from the collateral described therein upon any default will depend upon the exercise of various remedies specified by the Loan Agreement and the Mortgage. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the Loan Agreement and the Mortgage may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The legal opinion to be delivered concurrently with the delivery of the Series 2015 Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally.

The rights and remedies of the Holders of the Series 2015 Bonds are subject to various provisions of the United States Bankruptcy Code. If the Institution were to file a petition for relief under the United States Bankruptcy Code, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceedings against the Institution and its property, including the commencement of a foreclosure proceeding under the Mortgage.

The Institution could file a plan for the adjustment of its debts in a proceeding under the United States Bankruptcy Code which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by the court, would bind all creditors who have notice or knowledge of the plan and would discharge all claims against the debtor provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are that the plan is in the best interests of creditors, is feasible and has been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the allowed claims of the class that are voted with respect to the plan are cast in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

The Service Contract

The Service Contract contains the agreement of the Director of the Budget on behalf of the State, subject to the making of annual appropriations therefor by the State Legislature, to make payments to the Authority in an amount equal to the amount of the principal of and interest on the Series 2015 Bonds, as the same shall become due in the event that all other funds pledged and available therefor are inadequate. **The obligation of the State to fund or to pay the amounts provided for by the Service Contract: (i) is subject to and dependent upon annual appropriations being made by the State Legislature for such purpose, (ii) shall not constitute a debt of the State within the meaning of any constitutional or statutory provision, and (iii) shall be deemed executory only to the extent of monies available to the State therefor; and no liability shall be incurred by the State beyond the monies available for the purposes thereof.** *See* "PART 2 — SOURCE OF PAYMENT AND SECURITY FOR THE SERIES 2015 BONDS — The Service Contract" and "Appendix D – INFORMATION CONCERNING THE STATE OF NEW YORK – Annual Information Statement - - State-Related Debt Outstanding - - - Contingent Contractual Obligation Financing - - - - Secured Hospital Program".

Legislative, Regulatory and Contractual Matters Affecting Revenue

The health care industry is heavily regulated by the federal and state governments, and a substantial portion of the Institution's revenue is derived from governmental sources. Governmental revenue sources are subject to legislative and policy changes by the governmental and private agencies that administer Medicare, Medicaid, other third-party payors, and governmental payors and actions by, among others, NYSDOH, the Joint Commission, the Office of Medicaid Inspector General ("OMIG"), CMS, and other federal, State and local government agencies.

These agencies have broad discretion to alter or eliminate programs that contribute significantly to revenues of the Institution. In the past, there have been frequent and significant changes in the methods and standards used by government agencies to reimburse and regulate the operation of hospitals. No assurances can be given that further substantial changes will not occur in the future or that payments made under such programs will remain at levels comparable to the present levels or that they will be sufficient to cover all existing costs. While changes are anticipated, the impact of such changes on the Institution cannot be predicted and may be substantial.

The Institution has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payors for adjustments to current and prior years' payment rates, based on industry-wide and Institution-specific data. The current Medicaid, Medicare and other third party payor programs are based upon extremely complex laws and regulations that are subject to interpretation. There is a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Institution is not aware of any allegations of noncompliance that could have a material adverse effect on its financial statements and believes that it is in material compliance with all applicable laws and regulations.

Legislation is periodically introduced in Congress and in the State Legislature that could result in limitations on the Institution's revenue, third-party payments, and costs or charges, or that could result in increased competition or an increase in the level of indigent care required to be provided by the Institution. From time to time, legislative proposals are made at the federal and State level to engage in broader reform of the health care industry, including proposals to promote competition in the health care industry, to contain health care costs, to provide national health insurance and to impose additional requirements and restrictions on health care insurers, providers and other health care entities. The effects of future reform efforts on the Institution cannot be predicted.

Managed Care and Other Private Initiatives

Enrollment in managed care programs has increased, and managed care programs are expected to have a greater influence on the manner in which health care services are delivered and paid for in the future. Managed care programs are expected to reduce significantly the utilization of health care services, particularly inpatient services. In addition, some managed care organizations have been delaying reimbursements to hospitals, thereby affecting cash flows. The Institution's financial condition may be adversely affected by these trends.

Regulatory Reviews, Audits and Investigations

The Institution, like other health care institutions, is subject to regulatory review and audit on its governmental reimbursement. In the last several years the federal and state governments have devoted a significant amount of resources to the auditing of health care providers, including hospitals. The recoveries from these audits are often substantial and are often based on a small sample with the result extrapolated to a universe of all paid claims in the audit period, which could have an adverse financial impact on the Institution. In this regard, New York State has established the Office of the Medicaid Inspector General ("OMIG") to facilitate such audits. Since its inception, the OMIG has undertaken numerous audits, including extrapolation audits, of providers throughout the state of New York and has achieved large recoveries. The Institution is not currently the subject of such an audit, but could be in the future and the result of any such audit could have a significant adverse financial impact on the Institution.

Management confirmed that the Institution is currently undergoing two routine regulatory audits: the 2013 NYS Cost Report audit and a 2010 Medicare audit. Management has advised that these are routine audits, and they are not expected to result in substantial liability. The Institution cannot determine at this time whether any future review will result in a material repayment obligation.

Competition

The Institution faces and will continue to face competition from other providers, including larger and more profitable institutions, integrated delivery systems and ambulatory surgery facilities that offer similar health care services. Maintenance of patient volume is important in maintaining financial stability. There can be no assurance that the volume needed to maintain the financial stability of the Institution will be achieved. In addition, there are many limitations on the ability of a hospital to increase volume and control costs, and there can be no assurance that volume increases or expense reductions needed to maintain the financial stability of the Institution will occur.

Workforce Shortages

Workforce shortages are affecting health care organizations at the local, regional and national level, in part, due to the fact that a smaller number of students are considering careers in nursing and the allied health professions than in the past. There can be no assurance that such workforce shortages will not continue or increase over time and adversely affect the Institution's ability to control costs and its financial performance.

In order to recruit and retain professional and nursing staff to strengthen clinical services, the Institution has offered, and in the future intends to offer, competitive salaries to both newly recruited individuals and existing staff. In some years such salaries have increased, and in the future may continue to increase, more than the rate of inflation. Such increases also have exceeded, and in the future may exceed, increases in the Institution's rates of payment. *See* "PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER — Medical and Dental Staff".

Physician Retention

The success of the Institution depends in part on the number and quality of the physicians on the medical staff, the admitting and utilization practices of the physicians, maintaining good relations with the physicians and controlling costs related to the employment of physicians. Although the Institution employs some physicians, some physicians are not employees and have admitting privileges at other hospitals. There can be no assurance that the Institution can continue to provide support personnel or technologically advanced equipment and facilities that satisfy the needs of the physicians and their patients, which could lead to decreased admissions and a decline in operating performance.

Federal and State "Fraud and Abuse" Laws and Regulations

The federal Anti-Kickback Law makes it a criminal offense to knowingly and willfully offer, pay, solicit or receive remuneration in return for or to induce business that may be paid for, in whole or in part, under a Federal health care program including, but not limited to, the Medicare or Medicaid programs. The Anti-Kickback Law also prohibits knowingly and willfully soliciting, receiving, offering or paying any remuneration in return for or to induce the purchasing, leasing, ordering or arranging for (or recommending any of the same) any good, facility item or service that may be paid for, in whole or in part, by a federal health care program including but not limited to the Medicare or Medicaid Programs. In addition to criminal penalties, including fines of up to $25,000 and five years imprisonment, violations of the Anti-Kickback Law may lead to civil monetary penalties and/or exclusion from federal health care programs. A violation may also be actionable under the False Claims Act discussed below. The scope of potentially prohibited activities covered by the Anti-Kickback Law is very broad and includes, among other things, economic arrangements involving hospitals, physicians and other health care providers, including (but not limited to) joint ventures, space and equipment rentals, purchases of physician practices, management and personal services contracts and employment arrangements. Certain statutory exceptions to the Anti-Kickback Law exist. In addition, the Office of the Inspector General ("OIG") of the United States Department of Health and Human Services has published certain "safe harbor" regulations which describe certain arrangements that will not be deemed to constitute violations of the Anti-Kickback Law. Failure to squarely meet an exception or a safe harbor does not mean that the arrangement is per se illegal. Indeed, the exceptions and the safe harbors do not cover a wide range of economic relationships that many hospitals, physicians and other health care providers consider to be legitimate business arrangements. The State also has corresponding anti-kickback laws and regulations.

The outcome of any government effort to enforce the Anti-Kickback Law and the State anti-kickback laws and regulations against health care providers is difficult to predict due, in part, to government discretion in pursuing enforcement. The Institution may have certain relationships with physicians and other referral sources which do not meet all of the requirements of each applicable exception or safe harbor. Nonetheless, Management believes that it is currently in material compliance with the Anti-Kickback Law. However, there can be no assurance that the Institution will not be found to have violated the Anti-Kickback Law, and if so, that any sanction imposed would not have a material adverse effect on the operations or the financial condition of the Institution.

Limitations on Patient Referrals

The federal Ethics in Patient Referrals Act (known as the "Stark Law") prohibits a physician (or an immediate family member of such physician) with a financial relationship with an entity from referring a Medicare or Medicaid patient to such entity for the furnishing of certain specified "designated health services," and prohibits such entity from presenting or causing to be presented a claim for payment under the Medicare or Medicaid program for "designated health services" furnished pursuant to a prohibited referral, unless an applicable exception is met. The "designated health services" subject to these prohibitions include clinical laboratory services, physical and occupational therapy services, radiology (including magnetic resonance imaging, computerized axial tomography scans and ultrasound) services, radiation therapy services and supplies, durable medical equipment and supplies, parenteral and enteral nutrients, equipment and supplies, orthotics, prosthetics and prosthetic devices, home health services, outpatient prescription drugs, and inpatient and outpatient hospital services.

The New York Health Care Practitioner Referral Law (the "State Provisions") is similar to the Stark Law. It covers all patients (irrespective of payor) and prohibits certain health care practitioners from referring a patient to a health care provider for clinical laboratory services, x-ray imaging services, radiation therapy services, pharmacy services or physical therapy services, if the referring practitioner (or an immediate family member) has a financial interest in the health care provider unless an applicable exception is met.

A financial relationship, for purposes of the Stark Law and State Provisions (the Stark Law and State Provisions are hereinafter collectively referred to as "Stark"), is defined as either an ownership or investment interest in the entity or a compensation arrangement between the physician (or immediate family member) or practitioner and the entity and includes certain indirect relationships. An ownership or investment interest may be through equity, debt, or other means and includes an interest in an entity that holds an ownership or investment interest in an entity providing the designated health services.

If the physician or practitioner has a financial relationship with an entity that provides one of the designated health services, the Stark prohibitions will apply unless one of the exceptions are met. Unlike the Anti-Kickback Law and its safe harbors discussed above (where the failure to meet a safe harbor does not necessarily mean the referral/arrangement is improper), failure to satisfy an exception to the Stark provisions means that the referral itself is prohibited, and the entity receiving the referral is prohibited from seeking payment for such service. However, the mere existence of a financial relationship does not violate the Stark provisions. Stark is only violated if (i) a financial relationship exists, (ii) a referral for designated services is made, and (iii) no relevant exception is met.

Like the Anti-Kickback Law provisions discussed above, failure to comply with the Stark provisions can result in liability in connection with a wide variety of business transactions. Violation of the Stark laws and regulations may lead to denial of payment for prohibited referrals, the need to refund payments received, significant civil monetary penalties and/or exclusion from federal health care programs. It may also lead to False Claims Act liability. Management believes that it is currently in compliance with Stark. However, there can be no assurance that the Institution will not be found to have violated Stark, and if so, that any sanction imposed would not have a material adverse effect on the operations or the financial condition of the Institution.

Federal and State False Claims Act

The federal criminal False Claims Act ("criminal FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government. Violation of the criminal FCA can result in imprisonment and/or a fine. The Federal civil False Claims Act ("civil FCA"), one of the government's primary weapons against health care fraud, allows the United States government to recover significant damages from persons or entities that submit fraudulent claims for payment to any federal agency through actions taken by a United States Attorney's Office or the Department of Justice. The State also has a False Claims Act that closely tracks the civil FCA (the "New York State FCA"). It imposes penalties and fines on individuals and entities that file false or fraudulent claims for payment from any state or local government, including health care programs such as Medicaid. The civil FCA and New York State FCA also permit individuals to initiate actions on behalf of the government in lawsuits called *qui tam* actions. These *qui tam* plaintiffs, or "whistleblowers," can share in the damages recovered by the government.

Under the civil FCA and New York State FCA, health care providers may be liable if they take steps to obtain improper payments from the government by submitting false claims or failing to refund known overpayments. Civil FCA and New York State FCA violations have been established solely on the existence of improper kickback or self-referral arrangements. Even in the absence of evidence that literally false claims have been submitted, these cases argue that the improper business relationship tainted the subsequently submitted claims, thereby rendering the claims false under the civil FCA and New York State FCA. The Federal Enforcement and Recovery Act of 2009 amended the FCA to impose liability on so-called "reverse false claims," where a person knowingly fails to repay the Federal government for any overpayments resulting from a false statement of record. The PPACA requires that any overpayment be reported and repaid within sixty (60) days after the date in which overpayment was identified. Failure to do so will be considered per se a false claim under the FCA. The PPACA also modified the FCA by extending the FCA to any Anti-Kickback Law violation. Other civil FCA and New York State FCA cases have proceeded on a theory that providers are liable for the submission of false claims when they are not in full compliance with applicable legal and regulatory standards. It is impossible to predict with certainty whether courts will uniformly hold that regulatory non-compliance are subject to prosecutions as false claims. If the Medical Center is faced with a civil FCA or New York State FCA prosecution based on one of these theories, however, allocation of the funds required to contest or settle the matter could have a material adverse impact on it. Violations of the civil FCA and New York State FCA can result in penalties up to triple the actual damages incurred by the government and also substantial monetary penalties.

Management of the Institution is not aware of any alleged violations by the Institution of the criminal FCA, civil FCA or New York State FCA. However, there can be no assurances that the Institution will not be charged with, or found to have violated, the criminal FCA, civil FCA or New York State FCA and, if so, that any fines or other penalties would not have a material adverse effect on its operations.

Regulation of Patient Transfer

Federal and State laws require hospitals to provide emergency treatment to all persons presenting themselves with emergency medical conditions. Congress enacted the Emergency Medical Treatment and Active Labor Act ("EMTALA") in response to concerns regarding inappropriate hospital transfers of emergency patients based on the patient's inability to pay for the services provided. EMTALA requires hospitals with emergency rooms, including the Institution, to treat or conduct an appropriate and uniform medical screening for emergency conditions (including active labor) on all patients and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient to another hospital.

Failure to comply with EMTALA can result in exclusion from the Medicare and/or Medicaid programs as well as civil penalties of up to $50,000 per violation. In addition, the hospital is liable for any claim by an individual who has suffered harm as a result of such violation. The failure of the Institution to meet its responsibilities under EMTALA could adversely affect the financial condition of the Institution. EMTALA and its implementing regulations are complex, and the Institution's compliance is dependent, in part, upon the compliance of independent medical staff members. While Management believes that it is compliant with EMTALA, there can be no assurance that no violation of EMTALA will be found or, if found, that any sanction imposed would not have a material adverse effect on the operations or financial conditions of the Institution.

Privacy and Security of Individually Identifiable Information

The Institution is subject to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), which mandates protection of the privacy and security of individually identifiable health information, as well as other federal and state laws that are designed to ensure protection for individually identifiable information. Under recent amendments to HIPAA and under the Federal Trade Commission's "Red Flags Rules" (to the extent applicable), the Institution is required to notify patients of certain breaches of their individually identifiable health information. Further, the recent amendments to HIPAA tightened confidentiality requirements, enhanced damages, and afforded state Attorneys General the right to enforce its provisions. The Institution is not aware of any failure to comply with these privacy and security laws, although there is always the risk that violations will be found and substantial damages assessed.

Civil Monetary Penalty Act

The federal Civil Monetary Penalty Act ("CMPA") provides for administrative sanctions against health care providers for a broad range of billing and other abuses, including, without limitation, presenting, or causing to be presented, improper claims for reimbursement, paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries or offering an inducement to a beneficiary to obtain certain services. The CMPA authorizes imposition of substantial civil money penalties. Section 6408 of the Patient Protection and Affordable Care Act of 2010 ("PPACA") added and enhanced CMPA penalties for false statements for knowingly making, using or causing to be made, a false record or statement material to a claim for payment for items or services furnished under a Federal health care program or failing to grant timely access on reasonable request to the OIG for carrying out audits or investigations. The PPACA imposes a penalty of $50,000 for each false record or statement and $15,000 for each day of delay. The PPACA also established CMPA penalties for ordering or prescribing services while excluded from the Federal health care program and knowingly failing to repay an overpayment.

Health care providers may be found liable under the CMPA even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition. Management is not aware of any CMPA violations, but knowledge is not required for liability.

Exclusions from Medicare or Medicaid Participation

The Secretary of DHHS is required to exclude from governmental program participation (including Medicare and Medicaid) for not less than five years any individual or entity who has been convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, felony fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. DHHS also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, theft, embezzlement, breach of fiduciary duty or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. OMIG also has the authority to exclude individuals and entities from participation in Medicaid. Providers are excluded for reasons that may include program-related convictions, patient abuse or neglect convictions, and licensing board disciplinary actions. The Institution is not aware of any activity that would place it at risk of exclusion at this time.

Enforcement Activity

Enforcement activity against health care providers has increased, and enforcement authorities are adopting more aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals will be subject to an investigation, audit or inquiry regarding billing practices or false claims. Due to the complexity of these laws, the instances in which an alleged violation may arise to trigger such investigations, audits or inquiries are increasing and could result in enforcement action against the Institution. The Health Care Reform Law provides funding of health care fraud initiative in the amounts of $10 million per year for fiscal years 2014-2020 and an additional $250 million over fiscal years 2014-2016.

Enforcement authorities are sometimes in a position to compel settlements by providers charged with, or being investigated for, false claims violations by withholding or threatening to withhold Medicare, Medicaid or similar payments or by threatening the possibility of a criminal action. In addition, the cost of defending such an action, the time and management attention consumed thereby and the facts of a particular case may dictate settlement. Therefore, regardless of the merits of a particular case or cases, the Institution could experience materially adverse settlement costs, as well as materially adverse costs associated with the implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation, business and credit of the Institution, regardless of the outcome, and could have material adverse consequences on the financial condition of the Institution.

In addition, in early 2012, the Hospital received subpoenas related to certain federal criminal investigations that are focused on the practices of certain former Hospital doctors. The Hospital is cooperating with such investigations and no claims have been asserted against the Hospital from the investigations. The Hospital cannot be assured that the investigation will not result in material liability to the Hospital.

Department of Health Regulations

The Institution is subject to regulations of NYSDOH. Compliance with such regulations may require substantial expenditures for administrative or other costs. The Institution's ability to add services or beds and to modify existing services materially is also subject to NYSDOH review and approval. Approvals can be highly discretionary, may involve substantial delay, and may require substantial changes in the proposed request. Accordingly, the Institution's ability to make changes to its service offerings and respond to changes in the environment may be limited.

Other Governmental Regulation

The Institution is subject to regulatory actions and policy changes by those governmental and private agencies that administer the Medicare and Medicaid programs and actions by, among others, the National Labor Relations Board and professional and industrial associations of staff and employees, applicable professional review organizations, the Joint Commission, Environmental Protection Agency, the Internal Revenue Service (the "IRS") and other federal, state and local governmental agencies.

Renewal and continuation of certain licenses, certifications and accreditations are based on inspections, surveys, audits, investigations or other reviews, some of which may require or include affirmative activity or response by the Institution. These activities generally are conducted in the normal course of business of health facilities. Nevertheless, an adverse result could cause a loss or reduction in the Institution's scope of licensure, certification or accreditation, could reduce the payment received or could require repayment of amounts previously remitted to the provider.

OIG, OMIG and Health Care Reform Compliance Guidelines

On February 23, 1998, the OIG published Compliance Program Guidance ("CPG") for the hospital industry. In recognition of the significant changes in the delivery and reimbursement for hospital services that have occurred since the CPG's publication, the OIG published Supplemental Compliance Program Guidance on January 31, 2005. These issuances (collectively, the "Guidances") provide recommendations to hospitals for adopting and implementing effective programs to promote compliance with applicable federal and state law and the program requirements of federal, state, and private health plans, and they include a discussion of significant risk areas for hospitals. Compliance with the Guidances is voluntary but is nevertheless an important factor in controlling risk because the OIG will consider the existence of an effective compliance program that pre-dated any governmental investigation when addressing the appropriateness of administrative penalties. However, the presence of a compliance program is not an assurance that health care providers, such as the Institution, will not be investigated by one or more federal or state agencies that enforce health care fraud and abuse laws or that they will not be required to make repayments to various health care insurers (including the Medicare and/or Medicaid programs).

Since October 2009, hospitals in New York have been required by statute and regulation to have an effective compliance program. The Program must include, among other things, a chief compliance officer, written policies and the conduct of audits after the identification of risk areas. It is expected that the OMIG will conduct audits of compliance programs and assess their effectiveness. Under New York law, each year the Institution must certify that it has a compliance program in place and that it has been effective and Wyckoff has so certified its compliance.

The Health Care Reform Law requires providers to establish a compliance program as a condition of enrollment in Medicare, Medicaid and CHIP. *See* 42 U.S.C. § 1395cc(j).

The federal Deficit Reduction Act of 2005 added specific requirements requiring health care providers such as the Institution to provide information to their employees, agents and certain of their vendors regarding the state and federal laws designed to encourage whistleblowers and prevent fraud, waste and abuse. In addition the health care providers must make available the content of the providers policies for preventing fraud, waste and abuse.

Tax Exempt Status

As a non-profit tax-exempt organization, the Institution is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, the Institution conducts large-scale complex business transactions and is a significant employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for non-profit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. Areas that have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation and others. These challenges and questions have come from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures and patients, and in a variety of forums, including hearings, audits and litigation.

The Code contains restrictions on the issuance of tax-exempt bonds for the purpose of financing and refinancing different types of health care facilities for not-for-profit organizations, including facilities generating taxable income. Consequently, the Code could adversely affect the Institution's ability to finance its future capital needs and could have other adverse effects on the Institution that cannot be predicted at this time. The Code continues to subject unrelated business income of nonprofit organizations to taxation.

As a tax-exempt organization, the Institution is limited with respect to the use of practice income guarantees, reduced rent on medical office space, below market rate interest loans, joint venture programs, and other means of recruiting and retaining physicians. The IRS has recently intensified its scrutiny of a broad variety of contractual relationships commonly entered into by hospitals and affiliated entities and has issued detailed hospital audit guidelines suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on, or revocation of, their tax-exempt status or assessment of additional tax. The IRS has also commenced intensive audits of select health care providers to determine whether the activities of these providers are consistent with their continued tax-exempt status. The IRS has indicated that, in certain circumstances, violation of the fraud and abuse statutes could constitute grounds for revocation of a hospital's tax-exempt status

Any suspension, limitation, or revocation of the tax-exempt status of the Institution or assessment of significant tax liability could have a material adverse effect on the Institution and might lead to loss of tax exemption of interest on the Series 2015 Bonds.

Revocation of the tax-exempt status of the Institution under Section 501(c)(3) of the Code could subject the interest paid to Bondholders to federal income tax retroactively to the date of the issuance of the Series 2015 Bonds. Section 501(c)(3) of the Code specifically conditions the continued exemption of all Section 501(c)(3) organizations upon the requirement, among others, that no part of the net earnings of the organization inure to the benefit of any private individual. Any violation of the prohibition against private inurement may cause the organization to lose its tax-exempt status under Section 501(c)(3) of the Code. The IRS has issued guidance in published rulings as well as informal private letter rulings and general counsel memoranda on some situations that give rise to private inurement, but there is no definitive body of law and no regulations or public advisory rulings that address many common arrangements between exempt health care providers and nonexempt individuals or entities. There can be no assurance concerning the outcome of an audit or other investigation given the lack of clear authority interpreting the range of activities undertaken by the Institution.

Intermediate sanctions legislation enacted in 1996 imposes penalty excise taxes in cases where an exempt organization is found to have engaged in an "excess benefit transaction" with a "disqualified person". Such penalty excise taxes may be imposed in lieu of revocation of exemption or in addition to such revocation in cases where the magnitude or nature of the excess benefit calls into question whether the organization functions as a charity. The tax is imposed both on the disqualified person receiving such excess benefit and on any officer, director, trustee or other person having similar powers or responsibilities who participated in the transaction willfully or without reasonable cause, knowing it would involve "excess benefit". "Excess benefit transactions" include transactions in which a disqualified person receives unreasonable compensation for services or receives other economic benefit from the organization that either exceeds fair market value or, to the extent provided in regulations yet to be promulgated, is determined in whole or in part by the revenues of one or more activities of such organization, and results in prohibited private inurement. "Disqualified persons" include "insiders" such as board members and officers, senior management, and members of the medical staff, who in each case are in a position to substantially influence the affairs of the organization; their family members; and entities which are more than 35% controlled by a disqualified person. The legislative history sets forth Congressional intent that compensation of disqualified persons shall be presumed to be reasonable if it is: (i) approved by disinterested members of the organization's board or compensation committee; (ii) based upon data regarding comparable compensation arrangements paid by similarly situated organizations; and (iii) adequately documented by the board or committee as to the basis for its determination. A presumption of reasonableness will also arise with respect to transfers of property between the exempt organization and disqualified persons if a similar procedure with approval by an independent board is followed. Although the Institution believes that the sanction of revocation of tax-exempt status is likely to be imposed only in cases of pervasive excess benefit, the imposition of an excise tax penalty in lieu of revocation, based upon a finding that any member of the Institution engaged in an excess benefit transaction, is likely to result in negative publicity and other consequences that could have a materially adverse effect on the operations, property or assets of the Institution.

The Institution believes it is in compliance with the requirements for tax-exempt status.

Event of Taxability

If the Institution does not comply with certain of the covenants set forth in its Loan Agreement, or if certain representations or warranties made by the Institution in the Loan Agreement or Mortgage or in certain certificates of the Institution are false or misleading, or if the Authority fails to comply with certain covenants set forth in certain certificates of the Authority, then the interest paid or payable on the Series 2015 Bonds may become subject to inclusion in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2015 Bonds, regardless of the date on which such noncompliance or misrepresentation is ascertained. In the event that the interest on the Series 2015 Bonds should become subject to inclusion in gross income for federal income tax purposes, the Resolution does not provide for payment of any additional interest on any Series 2015 Bonds, the redemption of any Series 2015 Bonds or the acceleration of the payment of principal on any Series 2015 Bonds.

The Code and the regulations promulgated thereunder impose certain requirements or restrictions, including (i) the timely expenditure of certain amounts, (ii) the investment return on certain amounts which may be held and invested by the Institution, and (iii) the payment by the Institution of certain arbitrage earnings to the U.S. Treasury. The Institution will be required to invest and expend certain amounts and rebate certain arbitrage earnings to the U.S. Treasury in accordance with such provisions of the Code and the regulations promulgated thereunder. Prospective purchasers should be aware that a failure by the Institution to invest and expend such amounts and to rebate certain arbitrage earnings to the U.S. Treasury in accordance with such requirements of the Code and the regulations promulgated thereunder may cause the Internal Revenue Service to declare the interest on the Series 2015 Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation retroactive to the date of issuance of the Series 2015 Bonds.

Labor Relations and Collective Bargaining

While Wyckoff believes it enjoys satisfactory relations with its unionized and non-unionized workforce, renegotiation of existing Collective Bargaining Agreements upon expiration may result in significant cost increases for the Institution. In addition, employee labor actions, including strikes, could have an adverse impact on the Institution. Wyckoff is currently in arrears in payments due for pension and health and welfare benefits associated with its collective bargaining agreements. Failure to make timely payments has resulted in liens, and could result in a potential insolvency filing, which would impair Wyckoff's ability to make payments under the Loan Agreement, when due, or meet other obligations, including under the Loan Agreement. Management believes that the substantive obligations that underlie these obligations have been resolved and the liens will be released upon discussions and agreement with union counsel. *See* "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Labor Relations and Collective Bargaining".

Reimbursement

There can be no assurance that payments from Medicare and Medicaid will cover the costs incurred by the Institution in treating Medicare and Medicaid patients. *See* "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Reimbursement". Medicare DRG rates may be adjusted annually as part of the federal budget reconciliation process and, thus, are subject to deficit reduction activities involving the federal budget generally and/or the Medicare program specifically. Teaching and DSH payments, in particular, are targeted to be cut.

Medicaid payment rates are subject to New York State appropriations, and may be reduced in a material manner.

There can also be no guarantee that the statutory limits on the growth of Medicare payments for physician related services, which would result in lower Medicare payments for physician services over time, will continue to be superseded by legislation in Congress.

In addition, should Wyckoff no longer meet the Conditions of Participation for the Medicare or Medicaid programs, it will no longer be able to be reimbursed by those programs.

Finally, Wyckoff is required to transition to ICD-10, which will affect diagnosis and inpatient procedure coding for any provider covered under HIPAA, by October 1, 2015.

The Institution cannot assess or predict the likelihood of unfavorable changes to any of its other reimbursement programs or managed care rates, which are the subject of negotiations generally with larger entities with much greater resources.

Delivery System Reform

DSRIP is intended to produce a substantial restructuring of the health care delivery system for the medically indigent in New York; therefore as a participant, Wyckoff may experience a decrease in inpatient admissions and/or a shift from inpatient and emergency-based services to outpatient and community-based services. Wyckoff is, however, unable to assess the potential consequences of DSRIP at this time. *See* "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Delivery System Reform Incentive Payment (DSRIP) Program".

Health Care Reform

The implementation of the Health Care Reform Law, *See* "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Health Care Reform and Other Government Initiatives", will create many financial and programmatic challenges to Wyckoff, including cuts to and limits on reimbursement, particularly with respect to Medicare and Medicaid DSH payments. In addition, numerous other projects and programs are anticipated. The outcomes of these cuts, limits, projects and programs, including their effect on payments to Wyckoff and its financial performance, cannot be predicted, and as a result, it is more difficult for management of the Institution to project future performance than it has been in the past.

General and Professional Liability

Wyckoff's malpractice self-insurance program is substantially underfunded with actuarial findings of potential liability exceeding $35 million while at December 31, 2013, the Consolidated Financial Statements reflect that only $3.6 million was then available to pay claims and related costs (the $3.6 million is not set aside in a trust fund and may not be available to pay claims as they become due). *See* "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Professional Liability Claims and General Liability Insurance". The professional liability claims have been asserted against the Medical Center by various claimants, which are in various stages of processing. Some have been or may ultimately be brought to trial and some have resulted in judgments and liens against Wyckoff. Management believes that the substantive obligations that underlie the liens have been resolved and the liens will be released upon discussions and agreement with plaintiff's counsel. There are also potentially other claims that may be brought based on past or future services. If one or more of such claim results in a judgment, it may exceed the limited available funds to pay such claims, which may prevent Wyckoff from making timely payments under the Loan Agreement.

Litigation

Wyckoff is subject to periodic claims related to employment, contract and other matters. As noted in "Part 7 – WYCKOFF HEIGHTS MEDICAL CENTER – Litigation," the Institution generally does not have insurance that would cover such claims and therefore, given its current financial situation a substantial judgment against Wyckoff may have a material adverse effect on the operations or the financial condition of the Institution.

Tax Audits

Taxing authorities have recently been conducting general tax audits on non-profit organizations to confirm that such organizations are in compliance with applicable tax rules and in some instances have collected significant payments as part of the settlement process. Management confirmed that Institution is currently subject to a State tax audit, however, Management does not expect the audit to result in a material liability. The Institution cannot determine at this time whether any future review will result in any material liability.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common. Antitrust liability may arise in a wide variety of circumstances including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, and certain pricing and salary setting activities. Actions can be brought by federal and state enforcement agencies seeking criminal and civil penalties and, in some instances, by private litigants seeking damages for harm arising out of allegedly anti-competitive behavior. Common areas of potential liability include joint action among providers with respect to payor contracting, medical staff credentialing, and issues relating to market share. Liability in any of these or other trade regulation areas may be substantial, depending on the facts and circumstances of each case. With respect to payor contracting, the Institution, from time to time, may be involved in joint contracting activity with hospitals or other providers. The degree to which these or similar joint contracting activities may expose a participant to antitrust risk from governmental or private sources is dependent on a myriad of factors that may change from time to time. If any provider with whom the Institution is or becomes affiliated is determined to have violated the antitrust laws, the Institution may be subject to liability as a joint actor.

Some judicial decisions have permitted physicians who are subject to disciplinary or other adverse actions by a hospital at which they practice, including denial or revocation of medical staff privileges, to seek treble damages from the hospital under the federal antitrust laws. The federal Health Care Quality Improvement Act of 1986 provides immunity from liability for discipline of physicians by hospitals under certain circumstances, but courts have differed over the nature and scope of this immunity. In addition, hospitals occasionally indemnify medical staff members who incur costs as defendants in lawsuits involving medical staff privilege decisions. Some court decisions have also permitted recovery by competitors claiming harm from a hospital's use of its market power to obtain unfair competitive advantage in expanding into ancillary health care businesses. Antitrust liability in any of these contexts can be substantial, depending upon the facts and circumstances involved. There can be no assurance that a third party reviewing the activities of the Institution would find such activities to be in full compliance with the antitrust laws.

Provider-Specific Taxes

The Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 established standards that govern how states can impose and use provider-specific taxes. In general, states are allowed to impose broad-based, uniform and provider-specific taxes that are redistributive and do not contain "hold harmless" provisions. The State imposes surcharges on non-Medicare payments for inpatient and outpatient hospital services and certain diagnostic and treatment center services and an assessment on hospital inpatient services to fund, in part, various State-administered pools of funds.

The law also limits aggregate Medicaid payment adjustments for hospitals that service a disproportionate number of low-income patients to a specific amount for each state and, on a facility-specific basis, to the difference between each hospital's fully allocated costs incurred in the care of Medicaid and indigent patients and the revenue attributable to such care. Because of its reliance on State disproportionate-share hospital payment adjustments, largely paid in the form of indigent care pool distributions, the Institution would be adversely affected to a material degree by a determination that such pool distributions exceed the aggregate or facility-specific payment caps allowed by federal law.

Environmental Matters

Health care providers are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These requirements govern medical and toxic or hazardous waste management, air and water quality control, notices to employees and the public and training requirements for employees. As an owner and operator of properties and facilities, the Institution may be subject to potentially material liability for costs of investigating and remedying the release of any such substances either on, or that have migrated off the property. Typical health care provider operations include, but are not limited to, in various combinations, the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants or contaminants. As such, health care provider operations are particularly susceptible to the practical, financial and legal risks associated with the obligations imposed by applicable environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. While the Institution is not aware of any issues related to environmental and occupational safety, there can be no assurance that the Institution will not encounter such risks in the future, and such risks may result in material adverse consequences to the operations or financial condition of the Institution.

Certain Accreditations

The Institution is subject to periodic review by the Joint Commission. The Institution has received accreditation from the Joint Commission. No assurance can be given as to the effect on future operations of existing, or subsequently amended, laws, regulations and standards for certification or accreditation. Failure to maintain accreditation will result in a violation of the Medicare Conditions of Participation.

Increased Costs and State-Regulated Reimbursement

In recent years, substantial cutbacks in personnel and other cost-cutting measures have been instituted at hospitals throughout the State. Generally, these cutbacks have been instituted to address the disparity between rising medical costs and State-regulated reimbursement formulas, including those for Medicaid. Rising health care costs resulted from, among other factors, health care costs exceeding inflation, staff shortages, pharmaceutical costs, unfunded mandates, and the highly technical nature of the industry. The Institution has been affected by the impact of such rising costs, and there can be no assurance that the Institution would not be similarly affected by the impact of additional unreimbursed costs in the future.

Secondary Market

There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2015 Bonds. From time to time there may be no market for them depending upon prevailing market conditions, including the financial condition or market position of firms who may make the secondary market, the evaluation of the Institution’s capabilities and the financial conditions and results of operations of the Institution.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Institution, or the market value of the Series 2015 Bonds, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates.

- Increased unemployment or other economic conditions in the service area of the Institution, which could increase the proportion of patients who are unable to pay fully for the cost of their care.

- Efforts by insurers and governmental agencies to limit the cost of hospital and physician services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

- Reduced demand for the services of the Institution that might result from decreases in population or innovations in technology.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

- The occurrence of a natural or man-made disaster, including but not limited to acts of terrorists, that could damage the facilities of the Institution, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the operations and the generation of revenues from the Institution's facilities.

- Adoption of a so-called "flat tax" federal income tax, a reduction in the marginal rates of federal income taxation or replacement of the federal income tax with another form of taxation, any of which might adversely affect the market value of the Series 2015 Bonds and the level of charitable donations to the Institution.

PART 9 — THE AUTHORITY

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 December 31, 2014, DASNY had approximately $46.5 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

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

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

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

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

Governance

DASNY is governed by an eleven-member board. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at DASNY meetings. The members of DASNY serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties. 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 expires on March 31, 2015.

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 Romski 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. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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.

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

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

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

Robert L. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of DASNY is as follows:

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

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

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

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

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

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

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

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2014. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 10 — LEGALITY OF THE SERIES 2015 BONDS FOR INVESTMENT AND DEPOSIT

Under 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, and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital in their control and belonging to them. Certain of such investors may be subject to separate restrictions that may limit or prevent their investment in the Series 2015 Bonds.

The Series 2015 Bonds may be deposited with the State Comptroller to secure deposits of State monies in banks, trust companies and industrial banks.

PART 11 — NEGOTIABLE INSTRUMENTS

The Series 2015 Bonds shall be negotiable instruments as provided in the Act subject to the provisions for registration and transfer contained in the Resolution and in the Series 2015 Bonds.

PART 12 — TAX MATTERS

Federal Income Tax

In the opinion of Harris Beach PLLC, Bond Counsel to the Authority, and subject to the limitations set forth below, under existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Furthermore, Bond Counsel is of the opinion that interest on the Series 2015 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2015 Bonds is, however, included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Series 2015 Bonds should consult with their tax advisors regarding the computation of any alternative minimum tax liability.

The Series 2015 Bonds (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances, an initial owner of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to such owner's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the tax consequences of owning such Premium Bonds.

The Code establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2015 Bonds in order that interest on the Series 2015 Bonds be and remain excluded from gross income for federal income tax purposes, pursuant to Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use of the proceeds of the Series 2015 Bonds, restrictions on the investment of bond proceeds and other moneys or properties, required ownership of the facilities financed by the Series 2015 Bonds by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Noncompliance with such continuing requirements may cause the interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds, irrespective of the date on which such noncompliance occurs. In the Resolutions, the Loan Agreement and accompanying documents, exhibits and certificates, the Authority and the Institution have made certain representations and certifications, and have covenanted to comply with certain procedures, designed to assure compliance with the requirements of the Code. The opinion of Bond Counsel described above is made in reliance upon, and assumes continuing compliance with, such covenants and procedures and the continuing accuracy, in all material respects, of such representations and certifications.

Bond Counsel expresses no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2015 Bonds. The proposed form of approving opinion of Bond Counsel is attached to this Official Statement as Appendix G.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2015 Bonds should be aware that the accrual or receipt of tax-exempt interest on the Series 2015 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2015 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2015 Bonds, (ii) interest on the Series 2015 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2015 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2015 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2015 Bonds. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers should consult their tax advisors regarding any possible collateral consequences with respect to the Series 2015 Bonds.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice of, or with the approving opinion of, a nationally recognized bond counsel. Bond Counsel expresses no opinion as to any tax consequences with respect to the Series 2015 Bonds, or the interest thereon, if any such change occurs or actions are taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

State and Local Income Taxes

Bond Counsel is also of the opinion that, under existing statutes, including the Act, interest on the Series 2015 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof.

Any noncompliance with the federal income tax requirements set forth above would not affect the exemption of interest on the Series 2015 Bonds from personal income taxes imposed by New York State or any political subdivision thereof.

Bond Counsel expresses no opinion regarding any other state or local tax consequences related to the ownership or disposition of, or the receipt or accrual of interest on, the Series 2015 Bonds.

Interest on the Series 2015 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2015 Bonds under other state or local jurisdictions. Each purchaser of Series 2015 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2015 Bonds in a particular state or local jurisdiction other than the State of New York.

Other Considerations

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2015 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 Bonds.

No assurance can be given that any future legislation or governmental actions, including amendments to the Code or State income tax laws, regulations, administrative rulings, or court decisions, will not, directly or indirectly, cause interest on the Series 2015 Bonds to be subject to federal, State or local income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any judicial decision or action of the Internal Revenue Service or any State taxing authority, including, but not limited to, the promulgation of a regulation or ruling, or the selection of the Series 2015 Bonds for audit examination or the course or result of an audit examination of the Series 2015 Bonds or of obligations which present similar tax issues, will not affect the market price, value or marketability of the Series 2015 Bonds. For example, President Obama has released various legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Series 2015 Bonds) for taxpayers whose income exceeds certain threshold levels. No prediction is made as to whether any such proposals will be enacted. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the foregoing matters.

All quotations from and summaries and explanations of provisions of law do not purport to be complete, and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2015 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THESE AND OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2015 BONDS.

PART 13 — STATE NOT LIABLE ON THE SERIES 2015 BONDS

The Act provides that notes and bonds of the Authority shall not be a debt of the State nor shall the State be liable thereon, nor shall such notes or bonds be payable out of any funds other than those of the Authority. The Resolution specifically provides that the Series 2015 Bonds shall not be a debt of the State nor shall the State be liable thereon.

PART 14 — COVENANT BY THE STATE

The State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds, together with the interest thereon, with interest or any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes or bonds are fully met and discharged. Notwithstanding the State's pledges and agreements, the State may in the exercise of its sovereign power enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds.

This pledge and agreement by the State does not, among other things, bind or obligate the State to appropriate funds for the payment of the principal of and interest on the Series 2015 Bonds. See "PART 2 - SOURCES OF PAYMENT AND SECURITY".

PART 15 — LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2015 Bonds by the Authority are subject to the approval of Harris Beach PLLC, New York, New York, Bond Counsel, whose approving opinion will be delivered with the Series 2015 Bonds. The proposed form of Bond Counsel opinion is set forth in Appendix G hereto.

Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP New York, New York.

Certain legal matters will be passed upon for the Institution by its counsel, Proskauer Rose LLP, New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2015 Bonds or questioning or affecting the validity of the Series 2015 Bonds or the proceedings and authority under which they are to be issued.

PART 16 — UNDERWRITING

The Underwriters have agreed, subject to certain conditions, (i) to purchase the Series 2015 Bonds from the Authority at an aggregate Underwriters' discount of $659,864.10; and (ii) to make a public offering of Series 2015 Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement. *See* "PART 6 — ESTIMATED SOURCES AND USES OF FUNDS". The Underwriters will be obligated to purchase all of the Series 2015 Bonds, if any Series 2015 Bonds are purchased.

The Series 2015 Bonds may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

FTN Financial Capital Markets is a division of First Tennessee Bank National Association and FTB Advisors, Inc. is a wholly owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Series 2015 Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

PART 17 — CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12"), the Institution and the State will each undertake, in written agreements, to provide continuing disclosure for the benefit of the Holders of the Series 2015 Bonds. The Institution, in its continuing disclosure agreement (the "Agreement to Provide Continuing Disclosure") will undertake to provide its Annual Information (as described below), together with the Institution's annual financial statements prepared in accordance with generally accepted accounting principles and audited by an independent firm of certified public accountants in accordance with generally accepted auditing standards to Digital Assurance Certification LLC ("DAC") as disclosure dissemination agent, for filing with the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access ("EMMA") in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, on or before 150 days after the end of each fiscal year, commencing December 31, 2014. The State, in its agreement, will file, on or before 120 days after the end of each fiscal year, commencing March 31, 2015, with the MSRB through EMMA in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, on an annual basis, operating data and financial information of the type hereinafter described that is included in this Official Statement (the "Annual Information"). The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles accepted in the United States of America ("GAAP"), 120 days after the close of the State fiscal year, and the State will file 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 Governmental Auditing Standards issued by the Comptroller General of the United States, with the MSRB through EMMA in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB, if and when such statements are available.

If, and only if, and to the extent that it receives the Annual Information and annual financial statements described above from the Institution, DAC has undertaken in the Agreement to Provide Continuing Disclosure for the benefit of the Holders, on behalf of and as agent for the Institution, to file such information and financial statements, as promptly as practicable, but no later than three business days after receipt of the information by DAC from the Institution, with the MSRB through EMMA in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB. The Annual Information and annual financial statements of the State will be filed with the MSRB through EMMA in such electronic format as is prescribed by the MSRB and accompanied by such identifying information as prescribed by the MSRB by the State directly and not through the offices of the DAC.

The Institution also will undertake in the Agreement to Provide Continuing Disclosure to provide to the Authority, the Trustee and DAC, in a timely manner not in excess of ten (10) business days after the occurrence of a Notice Event, the notices required to be provided by Rule 15c2-12 and described below (the "Notices"). In addition, the Authority has undertaken to provide such Notices to DAC. Upon receipt of Notices from the Institution, the Trustee or the Authority, DAC will promptly file the Notices with the MSRB through EMMA. With respect to the Series 2015 Bonds, DAC has only the duties specifically set forth in the Agreement to Provide Continuing Disclosure. DAC's obligation to deliver the information at the times and with the contents described in the Agreement to Provide Continuing Disclosure is limited to the extent it has been provided such information pursuant to the Agreement to Provide Continuing Disclosure. DAC has no duty with respect to the content of any disclosure or Notices made pursuant to the terms of the Agreement to Provide Continuing Disclosure and DAC has no duty or obligation to review or verify any information contained in the Annual Information, audited financial statements, Notices or any other information, disclosures or notices provided to it by the Institution or the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Institution, the Holders of the Series 2015 Bonds or any other party. DAC has no responsibility for the Institution's or the Authority's failure to provide to DAC a Notice required by the Agreement to Provide Continuing Disclosure or duty to determine the materiality thereof. DAC shall have no duty to determine or liability for failing to determine whether the Institution, the Trustee or the Authority has complied with the Agreement to Provide Continuing Disclosure, and DAC may conclusively rely upon certifications of the Institution, the Trustee and the Authority with respect to their respective obligations under the Agreement to Provide Continuing Disclosure. In the event that the obligations of DAC as the Authority's disclosure dissemination agent terminate, the Authority will either appoint a successor disclosure dissemination agent or, alternatively, assume all responsibilities of the disclosure dissemination agent for the benefit of the Bondholders.

The Institution. The Annual Information concerning the Institution will consist of the following: (a) operating data and financial information of the type included in "PART 7 — WYCKOFF HEIGHTS MEDICAL CENTER" to this Official Statement under the sub-headings "Services and Programs", "Medical Residency Programs", "Medical and Dental Staff", "Service Area, Other Area Hospitals, Utilization Service Area and Outpatient Utilizations", which will include information relating to utilization statistics, revenue and expense data, sources of patient service revenue, and outstanding indebtedness; together with (b) a narrative explanation, if necessary, to avoid misunderstanding and to assist the reader in understanding the presentation of financial and operating data concerning the Institution.

The State. The Annual Information shall consist of the following: (a) financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix D to this Official Statement 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 (b) such *narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State.

Notices. The Notices include notices of any of the following events with respect to the Series 2015 Bonds, (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of the 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 Series 2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds; (7) modifications to rights of Holders, if material; (8) Series 2015 Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Series 2015 Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the Institution; (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.

The sole and exclusive remedy for breach or default under the Agreement to Provide Continuing Disclosure or any such agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of DAC, the Institution, the Trustee and/ or the Authority, or the State, as the case may be, and no person, including any Holder of the Series 2015 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under any such agreement shall not constitute an Event of Default under the Resolution, the Series Resolution or the Loan Agreement. In addition, if all or any part of Rule 15c2-12 is amended or ceases to be in effect for any reason, then the information required to be provided under such agreements, insofar as Rule 15c2-12 no longer requires the provision of such information, shall no longer be required to be provided.

The foregoing undertaking is intended to set forth a general description of the type of financial information and operating data that will be provided; the description is not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. Each continuing disclosure agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein. Copies of each continuing disclosure agreement, when executed by the parties thereto upon the delivery of the Series 2015 Bonds, will be on file at the principal office of the Authority.

Institution's Compliance With Prior Undertakings

As described in this paragraph, during the past five years, the Institution has failed to provide certain secondary market disclosure pursuant to Rule 15c2-12 in connection with its previous continuing disclosure undertakings. With respect to each of its fiscal years ended December 31, 2009 and December 31, 2010, the Institution filed its audited financial statements up to 361 days after the deadline set forth in its continuing disclosure undertakings. In addition, the Institution filed its Annual Information with respect to each of its fiscal years ended December 31, 2009 and December 31, 2010 up to 365 days after the deadline set forth in its continuing disclosure undertakings. The Institution has adopted procedures to ensure the timely filing of required information pursuant to its continuing disclosure of undertakings in the future.

PART 18 — RATINGS

The Series 2015 Bonds are rated "AA" and "AA" respectively by Fitch Ratings and Standard & Poor's Ratings Service, a division of McGraw-Hill Financial, Inc. The credit rating reflects only the view of such credit rating agency, and an explanation of the significance of the credit rating may be obtained from the rating agency. There is no assurance that the credit rating will continue for any given period of time or that it will not be revised or withdrawn entirely by the credit rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the credit rating may have an adverse effect on the market price of the Series 2015 Bonds.

PART 19 — MISCELLANEOUS

Reference in this Official Statement to the Act, the Resolution, the Series Resolution, the Loan Agreement and the Service Contract, do not purport to be complete. Refer to the Act, the Resolution, the Series Resolution, Loan Agreement and the Service Contract for full and complete details of their provisions. Copies of the Resolution, the Series Resolution and the Loan Agreement are on file with the Authority and the Trustee.

The agreements of the Authority with Holders of the Series 2015 Bonds are fully set forth in the Resolution and the Series Resolution. Neither any advertisement of the Series 2015 Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2015 Bonds.

Any statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended merely as expressions of opinion and not as representations of fact.

PART 7, certain sections of PART 8, Appendix E and any other information regarding the Institution were supplied by the Institution. The Authority believes that this information is reliable, but the Authority makes no representations or warranties whatsoever as to the accuracy or completeness of this information.

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

The information regarding the State has been furnished by the State. No representation is made herein by the Authority, the Institution or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. None of the Authority, the Institution or the Underwriters have made any independent investigation of the State.

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

"Appendix B — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION," "Appendix C — SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT," "Appendix F — DEFINITIONS" and "Appendix G — FORM OF APPROVING OPINION OF BOND COUNSEL" have been prepared by Bond Counsel.

"Appendix E-1 - AUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 WITH REPORT OF INDEPENDENT AUDITORS" contains the consolidated financial statements of Wyckoff Heights Medical Center and have been audited by KPMG LLP, independent auditors, as stated in their report contained herein. The audit report contains an explanatory paragraph that states that the Medical Center has incurred losses from operating and nonoperating activities in recent years and has a net working capital and net asset deficiencies that raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

"Appendix E-2 – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER AS OF AND FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2014 and FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013" contains the unaudited financial statements of the Wyckoff Heights Medical Center for the periods stated therein.

The Institution has reviewed the information in this Official Statement including "PART 1 – INTRODUCTION – The Institution," "PART 3 — THE SERIES 2015 BONDS — Debt Service Requirements for the Series 2015 Bonds," PART 6, PART 7 and PART 8 herein and Appendices E-1 and E-2 hereto, describing or necessarily relating to the estimated sources and uses of funds, the Institution and certain Bondholders' risks. It is a condition to the sale and the delivery of the Series 2015 Bonds that the Institution certify that, as of such date, such information does not contain any untrue statement of a material fact and does not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which the statements are made, not misleading. The Institution makes no representation as to the accuracy or completeness of any information included in this Official Statement other than information describing or necessarily relating to the Institution.

The Institution has agreed to indemnify the Authority and the Underwriters and certain others against losses, claims, damages and liabilities arising out of any untrue statements or omissions of statements of any material fact about such Institution, as described in the preceding paragraph.

The Director of the Budget of the State is to certify that the statements and information appearing in the "Annual Information Statement of the State of New York," including any updates or supplements, included in Appendix D 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 contained 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 statements and information contained in Appendix D that 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 information and statements in Appendix D 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. *See* "Appendix D — INFORMATION CONCERNING THE STATE OF NEW YORK".

The Institution has agreed to furnish, or cause to be furnished, no later than sixty (60) days subsequent to the last day of each quarter in each fiscal year to (1) the Authority, (2) the MSRB, and (3) each Bondholder who is the registered owner of in excess of an aggregate $1 million principal amount of Series 2015 Bonds who has so requested, the following information: (a) the unaudited financial statements of the Institution, including the balance sheet as of the end of such quarter, the statement of operations, changes in net assets and cash flows; (b) utilization statistics of the Institution for such quarter, including discharges per facility, patient days, average length of stay, average daily census, emergency room visits, ambulatory surgery visits and home care visits (if applicable); and (c) discharges of the Institution by major payor mix for such quarter, together with comparable data for the corresponding period of the preceding fiscal year. In addition, the Institution has agreed to furnish, or cause to be furnished, to each of the parties identified in clauses (1), (2) and (3) above the audited financial statements of the Institution, within one hundred fifty (150) days after the completion of the Institution's fiscal year.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

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

Dated: January 9, 2015

PROPOSED FORM OF SERVICE CONTRACT

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SECURED HOSPITAL REVENUE BOND SERVICE CONTRACT, dated as of January [ ], 2015 (the “Contract”), by and between the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State of New York (the “Authority”), and the State of New York (the “State”), acting by and through the Director of the Budget of the State.

WHEREAS, pursuant to the Dormitory Authority Act, being Chapter 524 of the Laws of New York, l944, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York and the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of the Laws of 1973 of the State of New York, each amended by Chapter 83 of the Laws of 1995 of the State of New York (collectively, the "Act"), the Authority issued its Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 1998H (the “Series 1998H Bonds”) for the benefit of Wyckoff Heights Medical Center; and

WHEREAS, Chapter 445 of the Laws of 2014 (“Chapter 445”) authorizes the Authority to undertake the refinancing of certain projects for eligible secured hospital borrowers, as therein defined, but places limitations upon the amount of bonds and other obligations which the Authority is authorized to issue or incur for such purposes; and

WHEREAS, pursuant to the Act, as amended by Chapter 445, the Authority adopted its Wyckoff Heights Medical Center Secured Hospital Revenue Bond Resolution (the “Resolution”) on December 10, 2014 for the purpose of issuing from time to time one or more series of bonds to be secured by a service contract with the State; and

WHEREAS, pursuant to the Resolution, the Authority adopted a Series Resolution Authorizing Up To $70,000,000 Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), dated December 10, 2014, for the purpose of making a loan to Wyckoff Heights Medical Center (the “Hospital”) to refund the Series 1998H Bonds; and

WHEREAS, in order to assist the Authority in the refinancing of certain projects for eligible secured hospital borrowers and in consideration of the undertaking thereof and the benefits to be derived therefrom by the people of the State, the Act and Chapter 445 authorize the Director of the Budget, acting on behalf of the State, to enter into one or more service contracts not to exceed 30 years with the Authority whereunder the State would agree, subject to the making of annual appropriations therefor by the State Legislature, to make payments to the Authority over a period of years and authorized the Authority to pledge and assign the State payments as security for bonds which the Authority might issue in order to refinance such projects.

NOW, THEREFORE, the parties mutually agree as follows:

I. Payments by the State

1.1. Subject to the provisions of Section 1.4, the State agrees to pay to the Authority, on or before each August 15 and February 15 of any year for which the Authority shall have outstanding bonds secured in whole or in part by this Contract (the “Contractual Obligation”), a sum of money equal to the amount necessary to provide for the payment of the principal of and interest on the Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015 (the “Wyckoff Heights Medical Center Secured Hospital Bonds”) coming due on such August 15 and February 15 as certified by the Chairman of the Authority to the Director of the Budget and the Comptroller; provided, however, that the term of this Contract shall not exceed the final maturity of the Wyckoff Heights Medical Center Secured Hospital Bonds.

1.2. The State may at its sole discretion, subject to the provisions of Section 1.4, choose to prepay all or any part of the payments payable under Section 1.1. Any amounts so prepaid shall be applied by the Authority to pay or to redeem the Wyckoff Heights Medical Center Secured Hospital Bonds in accordance with the terms of such Bonds and the direction of the Director of the Budget.

1.3. The State agrees that, subject to the provisions of Section 1.4, its obligations to make the payments provided for in this Article I shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Authority or any other person or entity having an interest in this Contract or the payments made hereunder.

1.4. Notwithstanding anything in this Contract to the contrary, (i) the obligation of the State to fund or to pay the amounts herein provided for is subject to annual appropriation by the State Legislature, (ii) the obligation of the State to fund or to pay the amounts herein provided for shall not constitute a debt of the State within the meaning of any constitutional or statutory provision and shall be deemed executory only to the extent of moneys available and no liability shall be incurred by the State beyond moneys available for the purpose, and (iii) the amounts paid to the Authority pursuant to this Contract shall be applied by the Authority solely for deposit into the Debt Service Fund (as defined in the Resolution) established pursuant to the Series Resolution and applied to pay debt service on the Wyckoff Heights Medical Center Secured Hospital Bonds.

II. Duties of the Authority

2.1. The Authority agrees to apply the proceeds from the sale of its Wyckoff Heights Medical Center Secured Hospital Bonds to make a loan to the Hospital, an Eligible Secured Hospital Borrower in accordance with the applicable provisions of the Act and Chapter 445.

2.2. The Authority agrees to deposit into the Debt Service Fund all amounts received pursuant to this Contract, which fund shall be held and administered by the trustee, as provided in the Resolution and shall not be commingled with any other funds of the Authority.

2.3. Upon the appointment of the trustee and the issuance of the Wyckoff Heights Medical Center Secured Hospital Bonds thereunder, the provisions of the Resolution relating to all funds and accounts and the application and investment thereof shall apply.

2.4. The Authority shall repay the State all moneys advanced to the Authority pursuant to Article I hereof, but only to the extent: (i) the Authority has received such moneys in the form of payments made under the Loan Agreement from the Hospital whose failure to make such payments resulted in the payment by the State contemplated hereby; and (ii) such moneys are not required to be otherwise applied under the Resolution or Series Resolution.

2.5. Within ten days after the issuance of any Wyckoff Heights Medical Center Secured Hospital Bonds, the Authority shall furnish to the State a schedule of the aggregate of all debt service payments to be made on each date in respect of all Wyckoff Heights Medical Center Secured Hospital Bonds then being issued or then otherwise outstanding.

III. Pledge and Assignment

3.1. The State hereby consents to the pledge and assignment by the Authority to the owners of any of its Wyckoff Heights Medical Center Secured Hospital Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Authority herein, of the payments by the State as provided herein and of the funds established under the Resolution.

IV. Special Covenants

4.1. The State agrees to include in each year as a requested appropriations item during the term of this Contract, an amount equal to the principal of and interest on the Wyckoff Heights Medical Center Secured Hospital Bonds coming due on the next August 15 and February 15.

4.2. The State agrees that whenever requested by the Authority with reasonable advance notification it shall provide and certify, or cause to be provided and certified, in form satisfactory to the Authority, such information concerning (A)(i) the State and various public authorities, or (ii) the operations and finances of the State and such other matters that the Authority considers necessary to enable it to complete and publish an official statement, placement memorandum or other similar document relating to the sale or issuance of the Wyckoff Heights Medical Center Secured Hospital Bonds, and (B) the payments to be made by the State as provided herein or any funds established under the Resolution, or information necessary to enable the Authority to make any reports required by law or governmental regulations in connection with any Wyckoff Heights Medical Center Secured Hospital Bonds.

4.3. Neither the Authority nor the State will terminate this Contract for any cause including, without limiting the generality of the foregoing, 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 Contract, including but not limited to the bankruptcy or liquidation of the Hospital or the closing of the Project whether by reason of administrative action, court order or otherwise.

4.4. This Contract may not be amended, changed, modified or altered so as to adversely affect the rights of the owners of any Wyckoff Heights Medical Center Secured Hospital Bonds, the payments to be made by the State as provided herein or the funds required by the Resolution without the consent of such owners or any trustee acting on their behalf given in accordance with the provisions of the Resolution. An increase in the amount payable under this Contract or in the term of the State's obligations shall not be deemed such an adverse change.

V. Events of Default by the State and Remedies

5.1. 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 of the payments provided for in Section 1.1 or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Authority 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.

5.2. The Remedies conferred upon or reserved to the Authority under Section 5.1 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 Contract, nor may they include any amendment, change, modification or alteration that is prohibited by Sections 4.3 or 4.4.

VI. Events of Default by the Authority and Remedies

6.1. If the Authority shall fail to observe or perform any covenant, condition or agreement on its part to be observed or performed and such failure to observe or perform shall have continued for 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the Authority by the State, the State shall, if the 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 enforce the performance and observance of any obligation, agreement or covenant of the Authority hereunder.

6.2. The remedies conferred upon or reserved to the State under Section 6.1 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 Contract or of the obligations of the State to make the payments provided for in Article I, nor may they include any amendment, change, modification or alteration of this Contract that is prohibited by Sections 4.3 or 4.4.

VII. Miscellaneous

7.1. This Contract shall be construed and interpreted in accordance with the laws of the State of New York and any suits and actions arising out of this Contract shall be instituted in a court of competent jurisdiction in the State.

7.2. This Contract 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.

7.3. In the event any provision of this Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

7.4. 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.

7.5. All notices provided for in this Contract shall be in writing and shall be delivered personally to be sent by certified or registered mail to the respective offices of the State, the Department of Health and the Authority 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 Department of Health:	Department of Health Tower Building Empire State Plaza Albany, New York 12237 Attention: Director of Office of Health Systems Management
If to the Authority:	Dormitory Authority of the State of New York 515 Broadway Albany, New York 12207 Attention: Executive Director

The Authority, the Department of Health or the State may from time to time designate in writing other representatives with respect to receipt of notices.

7.6. This Contract represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by each of the parties. Such amendments shall not be contrary to the provisions of Sections 4.3 or 4.4.

7.7. Nothing in this Contract shall be construed to confer upon or to give notice to any person or corporation other than the State, the Authority, and the owners of any Wyckoff Heights Medical Center Secured Hospital Bonds, or any trustee acting on their behalf, any right, remedy or claim under or by reason of this Contract or any provision thereof.

7.8 This Contract supersedes and replaces the Secured Hospital Revenue Bond Service Contract, dated as of February 1, 1998 as it relates to the Series 1998H Bonds.

IN WITNESS WHEREOF, the State has caused this Service Contract to be executed in its name by the Director of the Budget and the Authority has caused this instrument to be signed by its Executive Director as its duly authorized officer all as of the [ ] day of January 2015.

Witness as to the State of New York	STATE OF NEW YORK
______________________________	________________________ Director of the Budget
Witness as to the Dormitory Authority of the State of New York	DORMITORY AUTHORITY OF THE STATE OF NEW YORK
______________________________	________________________ Authorized Officer

Approved as to form:

ATTORNEY GENERAL	STATE COMPTROLLER
By: ______________________________	By: ________________________
Date: __________________	Date: __________________

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. Such summary does not purport to be complete and reference is made to the Resolution for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix F. Unless otherwise indicated, references to section numbers herein refer to sections in the Resolution.

Resolution, the Series Resolutions and the Bonds Constitute Separate Contracts

The Resolution authorizes the issuance by the Authority, from time to time, of its Secured Hospital Revenue Bonds in one or more Series, each such Series to be authorized by a separate Applicable Series Resolution and, inter alia, to be separately secured from each other Series of Bonds. Each such Series of Bonds shall be separate and apart from any other Series of Bonds authorized by a different Series Resolution and the Holders of Bonds of such Series shall not be entitled to the rights and benefits conferred upon the Holders of Bonds of any other Series of Bonds by the Applicable Series Resolution authorizing such Series of Bonds. With respect to each Applicable Series of Bonds, in consideration of the purchase and acceptance of any and all of the Bonds of an Applicable Series authorized to be issued under the Resolution and under the Applicable Series Resolution by those who shall hold or own the same from time to time, the Resolution and the Applicable Series Resolution shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Holders from time to time of the Bonds of an Applicable Series, and the pledge and assignment made in the Resolution and the covenants and agreements set forth to be performed by or on behalf of the Authority shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds of such Series, 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 Bonds of a Series over any other Bonds of such Series except as expressly provided in the Resolution or permitted by the Resolution or by the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 1.03)

Option of Authority to Assign Certain Rights and Remedies to the Trustee

Upon the happening of the failure of the State to advance moneys under the Applicable Service Contract securing a Series of Bonds, the Authority shall, assign to the Trustee for the benefit of the Bondholders of the Applicable Series all of its right, title and interest in and to the Applicable Service Contract, the Loan Agreement and the Mortgage to exercise any of the remedies provided thereby for the enforcement of the obligations of the Institution and the State to make the payments thereunder, including the right to declare the indebtedness under the Loan Agreement and the Mortgage immediately due and payable; **provided, however**, that the Authority may retain the right to the payment of the fees, costs and expenses of the Authority payable pursuant to such Loan Agreement and Mortgage, the right to the indemnities provided thereby, the right to the payments, if any, required to be made pursuant to such indemnities and the right to exercise any of the remedies available thereunder for the enforcement of the obligations of the Institution, the rights to which have been retained by the Authority. Such assignment shall be made by the execution and delivery to the Trustee of documents of assignment in form and substance reasonably acceptable to the Trustee making the request to the Authority to assign said documents to the Trustee.

In the event the Authority grants, pledges and assigns to the Trustee any of its rights as provided in this Section, the Trustee shall accept such grant, pledge and assignment, which acceptance shall be evidenced in writing and signed by an Authorized Officer of the Trustee.

(Section 1.04)

Refunding Bonds

All or any portion of one or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds, to refund all or one or more series of Secured Hospital Revenue Bonds, a portion of a Series of Outstanding Bonds or a portion of a series of Secured Hospital Revenue Bonds, a portion of a maturity of a Series of Outstanding Bonds, or a portion of a maturity of Secured Hospital Revenue Bonds. The Authority by resolution of its members may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of this Section and of the Series Resolution authorizing such Series of Refunding Bonds or by the provisions of the resolution or resolutions authorizing the bonds or other obligations issued by the Authority, as the case may be.

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 Series Resolution authorizing such Refunding Bonds.

(Section 2.04)

Additional Obligations

The Authority 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 Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, entitled to a charge or lien or right prior or equal to the charge or lien created by the Resolution and pursuant to an Applicable Series Resolution, or prior or equal to the rights of the Authority and Holders of an Applicable Series of Bonds provided by the Resolution or with respect to the moneys pledged under the Resolution or pursuant to an Applicable Series Resolution.

(Section 2.05)

Redemption at Demand of the State

The State of New York may, upon furnishing sufficient funds therefor, require the Authority to redeem Bonds in accordance with the provisions of Section 14 of the New York State Medical Care Facilities Finance Agency Act, being Chapter 392 of the Laws of New York 1973, as amended.

(Section 4.02)

Pledge of Revenues

The proceeds from the sale of an Applicable Series of Bonds, the Applicable Revenues and all funds authorized by the Resolution and established pursuant to an Applicable Series Resolution, other than an Applicable Arbitrage Rebate Fund, are by the Resolution, subject to the adoption of an Applicable Series Resolution, pledged and assigned to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Applicable Series of Bonds and as security for the performance of any other obligation of the Authority under the Resolution and under an Applicable Series Resolution with respect to such Series, all in accordance with the provisions of the Resolution and the Series Resolution. The pledge made by the Resolution subject to the adoption of an Applicable Series Resolution, shall relate only to the Bonds of an Applicable Series authorized by a Series Resolution and no other Series of Bonds and such pledge shall not secure any such other Series of Bonds. The pledge made by the Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the Applicable Series of Bonds, the Applicable Revenues and all funds and accounts established by the Resolution and pursuant to the Applicable Series Resolution which are pledged by the Resolution and pursuant to the Applicable Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds of each Applicable Series shall be special obligations of the Authority payable from and secured by a pledge of the proceeds from the sale of such Series of Bonds, the Applicable Revenues and the funds established by the Resolution and pursuant to the Applicable Series Resolution, which pledge shall constitute a first lien thereon.

(Section 5.01)

Establishment of Funds

Unless otherwise provided by the Applicable Series Resolution, the following funds are authorized to be established, held and maintained for each Applicable Series by the Trustee under the Applicable Series Resolution separate from any other funds established and maintained pursuant to any other Series Resolution:

Construction Fund;
Debt Service Fund;
Capital Reserve Fund;
Special Debt Service Reserve Fund; and
Arbitrage Rebate Fund

Accounts and sub-accounts within each of the foregoing funds may from time to time be established in accordance with an Applicable Series Resolution, an Applicable Bond Series Certificate or upon the direction of the Authority. All moneys at any time deposited in any fund created by the Resolution, other than the Applicable Arbitrage Rebate Fund, shall be held in trust for the benefit of the Holders of the Applicable Series of Bonds, but shall nevertheless be disbursed, allocated and applied solely in connection with an Applicable Series of Bonds for the uses and purposes provided in the Resolution.

(Section 5.02)

Application of Bond Proceeds and Allocation Thereof

Upon the receipt of proceeds from the sale of an Applicable Series of Bonds, the Authority shall apply such proceeds as specified in the Resolution and in an Applicable Series Resolution authorizing such Series or in the Applicable Bond Series Certificate.

Accrued interest, if any, received upon the delivery of an Applicable Series of Bonds shall be deposited in the appropriate account in the Applicable Debt Service Fund unless all or any portion of such amount is to be otherwise applied as specified in the Applicable Series Resolution or the Applicable Bond Series Certificate.

(Section 5.03)

Application of Moneys in the Construction Fund

1. For purposes of internal accounting, an account in an Applicable Construction Fund may contain one or more subaccounts, as the Authority or the Trustee may deem necessary or desirable. As soon as practicable after the delivery of an Applicable Series of Bonds, the Trustee shall deposit in the appropriate account in the Applicable Construction Fund the amount required to be deposited therein pursuant to the Applicable Series Resolution, the Loan Agreement or the Applicable Bond Series Certificate. In addition, the Authority shall remit to the Trustee and the Trustee shall deposit in the appropriate account in the Applicable Construction Fund any moneys paid or instruments payable to the Authority derived from insurance proceeds or condemnation awards from the Applicable Project.

2. Except as otherwise provided in the Resolution and in the Applicable Series Resolution or Applicable Bond Series Certificate, moneys deposited in the Applicable Construction Fund shall be used only to pay the Costs of Issuance of the Bonds issued in connection with such Series Resolution or Bond Series Certificate and the Costs of the Project in connection with which such Bonds were issued.

3. Payments for Costs of an Applicable Project shall be made by the Trustee upon receipt of, and in accordance with, a certificate or certificates of the Authority stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment. Such certificate or certificates shall be substantiated by a certificate filed with the Authority signed by an Authorized Officer of the Institution, describing in reasonable detail the purpose for which moneys were used and the amount thereof, and further stating that such purpose constitutes a necessary part of the Costs of such Project except that payments to pay interest on the Applicable Series of Bonds shall be made by the Trustee upon receipt of, and in accordance with, the direction of an Authorized Officer of the Authority directing the Trustee to transfer such amount from the Applicable Construction Fund to the Applicable Debt Service Fund.

4. Any proceeds of insurance, condemnation or eminent domain awards received by the Trustee, the Authority or the Institution with respect to a Project or the Mortgaged Property shall be deposited in the appropriate account in the Applicable Construction Fund and, if necessary, such fund may be reestablished for such purpose and if not used to repair, restore or replace such Project, transferred to the Applicable Debt Service Fund for the redemption of the Applicable Series of Bonds in accordance with the Loan Agreement.

5. An Applicable Project shall be deemed to be complete (a) upon delivery to the Authority and the Trustee of a certificate signed by an Authorized Officer of the Institution which certificate shall be delivered as soon as practicable after the date of completion of such Project or (b) upon delivery to the Institution and the Trustee of a certificate of the Authority which certificate may be delivered at any time after completion of such Project. Each such certificate shall state that such Project has been completed substantially in accordance with the plans and specifications, if any, applicable to such Project and that such Project is ready for occupancy, and, in the case of a certificate of an Authorized Officer of such Institution, shall specify the date of completion.

Upon receipt by the Trustee of the certificate required pursuant to this subdivision, the moneys, if any, then remaining in the Applicable Construction Fund, after making provision in accordance with the direction of the Authority for the payment of any Costs of Issuance of such Applicable Series of Bonds and Costs of the Applicable Project then unpaid, shall be paid by the Trustee as follows and in the following order of priority:

First: Upon the direction of the Authority, to the Applicable Arbitrage Rebate Fund, the amount set forth in such direction;

Second: To the Applicable Capital Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Applicable Capital Reserve Fund Requirement;

Third: To the Applicable Special Debt Service Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Applicable Special Debt Service Reserve Fund Maximum Deposit or such additional amount as may be determined by the Authority; and

Fourth: To the Applicable Debt Service Fund for the redemption or purchase of the Applicable Series of Bonds in accordance with the Resolution and the Applicable Series Resolution, any balance remaining.

(Section 5.04)

Deposit of Revenues and Allocation Thereof

1. The Applicable Revenues, including all payments received under the Loan Agreement and Mortgage and any moneys advanced under the Applicable Service Contract, shall be deposited upon receipt by the Trustee to the appropriate account of the Applicable Debt Service Fund. To the extent not required to pay, (a) the interest, principal and Sinking Fund Installments becoming due on Outstanding Bonds of the Applicable Series on the next succeeding interest payment date of such Bonds; and (b) moneys which are required or have been set aside for the redemption of Bonds of the Applicable Series, moneys in the Applicable Debt Service Fund shall be paid by the Trustee on or before the business day preceding each interest payment date as follows and in the following order of priority:

First: To the Applicable Capital Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Applicable Capital Reserve Fund Requirement; and

Second: If directed by the Authority, to the Applicable Special Debt Service Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Applicable Special Debt Service Reserve Fund Maximum Deposit; and

Third: To the Authority, unless otherwise paid, such amounts as are payable to the Authority relating to such Series for: (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, all as required by the Resolution, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing of the Applicable Project, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the Loan Agreement or Mortgage in accordance with the terms thereof, and (iii) the Annual Administrative Fee of the Authority; but only upon receipt by the Trustee of a certificate of the Authority, stating in reasonable detail the amounts payable to the Authority pursuant to the third paragraph of this Section.

2. After making the payments required by subdivision 1 of this Section, any balance remaining in the Applicable Debt Service Fund on the immediately succeeding February 15, shall be paid by the Trustee upon and in accordance with the direction of the Authority. The Trustee shall notify the Authority promptly after making the payments required by subdivision 1 of this Section of any balance remaining in the Applicable Debt Service Fund on the immediately succeeding February 15.

3. Notwithstanding the provisions of subdivision 1 of this Section or of the following Section, the Authority may, at any time subsequent to February 15 or August 15, as applicable of any Bond Year but in no event less than forty-five (45) days prior to the succeeding February 15 or August 15, as applicable on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Applicable Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds of the Applicable Series to be redeemed from such Sinking Fund Installment. Any such Term Bond so purchased and any Term Bond purchased by the Institution and delivered to the Trustee in accordance with the Loan Agreement shall be cancelled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of such Term Bond so cancelled shall be credited against the Sinking Fund Installment due on such fifteenth day of February or August, as applicable; **provided that** such Term Bond is cancelled by the Trustee prior to the date on which notice of redemption is given.

4. Notwithstanding the provisions of subdivision 1 and 2 of this Section, in the event there is a payment under the Applicable Service Contract or repayment of more than one month’s payment due under the Loan Agreement and Mortgage, the Authority may direct the Trustee to retain in the Applicable Debt Service Fund such amounts as shall be necessary to assure the continued timely payment of the interest due, maturing principal of and Sinking Fund Installments on the Applicable Series of Bonds.

(Section 5.05)

Debt Service Fund

1. The Trustee shall on or before the business day preceding each interest payment date pay, from the Applicable Debt Service Fund, to itself and any other Paying Agent:

(a) the interest due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(b) the principal amount due on all Outstanding Bonds of the Applicable Series on such interest payment date;

(c) the Sinking Fund Installments, if any, due on all Outstanding Bonds of the Applicable Series on such interest payment date; and

(d) moneys required for the redemption of Bonds of the Applicable Series.

The amounts paid out pursuant to this Section shall be irrevocably pledged to and applied to such payments.

2. In the event that (i) on the fourth business day preceding any interest payment date the amount in the Applicable Debt Service Fund shall be less than the amounts, respectively, required for payment of interest on the Outstanding Bonds of the Applicable Series, for the payment of principal of such Outstanding Bonds, and for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date or (ii) on the fourth business day preceding any purchase date or redemption date the Applicable Debt Service Fund shall be less than the amounts, respectively, required for the payment of the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Applicable Special Debt Service Reserve Fund and deposit to the Applicable Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payments.

The Trustee shall notify the Authority, the Commissioner of Health and the Director of the Budget of a withdrawal from the Applicable Special Debt Service Reserve Fund.

3. In the event the amount in the Applicable Debt Service Fund, after providing for the transfers from the Applicable Special Debt Service Reserve Fund pursuant to subdivision 2 of this Section, shall be less than the amount, respectively, required (i) for payment of interest on the Outstanding Bonds of an Applicable Series, for the payment of principal of such Outstanding Bonds, for the payment of Sinking Fund Installments of such Outstanding Bonds due and payable on such interest payment date and (ii) for the payment to the purchase price or Redemption Price of such Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Applicable Capital Reserve Fund such amounts as will increase the amount in the Applicable Debt Service Fund to an amount sufficient to make such payments. The Trustee shall notify the Authority, the Commissioner of Health and the Director of the Budget of a withdrawal from the Applicable Capital Reserve Fund.

4. Monies derived from payments under the Applicable Services Contract shall be applied to pay principal or Sinking Fund Installments of or interest on an Applicable Series of Bonds, only in the event the amounts on deposit in the Applicable Debt Service Fund, after providing for the transfers in this Section, are insufficient for such purpose.

(Section 5.06)

Capital Reserve Fund

1. The Trustee shall deposit to the credit of the appropriate account in the Applicable Capital Reserve Fund such proceeds of the sale of Bonds of the Applicable Series, if any, as shall be prescribed in the Applicable Series Resolution or the Applicable Bond Series Certificate, and any moneys, Government Obligations and Exempt Obligations as are delivered to the Trustee by the Institution for deposit to the Applicable Capital Reserve Fund.

2. Moneys held for the credit of an Applicable Capital Reserve Fund shall be withdrawn by the Trustee and applied to the payment of interest, principal and Sinking Fund Installments at the times and in the amounts required to comply with the provisions of the preceding Section.

3. Moneys and investments held for the credit of the Applicable Capital Reserve Fund in excess of the Applicable Capital Reserve Fund Requirement shall be withdrawn by the Trustee and deposited, upon direction of the Authority, in the Applicable Arbitrage Rebate Fund, the Applicable Debt Service Fund or the Applicable Construction Fund or applied to the redemption of Bonds of the Applicable Series in accordance with such direction.

4. If, upon a valuation, the value of all moneys, Government Obligations, Exempt Obligations and Investment Agreements held for the credit of the Applicable Capital Reserve Fund is less than the Applicable Capital Reserve Fund Requirement, the Trustee shall immediately notify the Authority and the Institution of such deficiency. Such Institution shall, as soon as practicable, but in no event later than five (5) days after receipt of such notice, deliver to the Trustee moneys, Government Obligations or Exempt Obligations the value of which is sufficient to increase the amount in the Applicable Capital Reserve Fund to the Applicable Capital Reserve Fund Requirement.

(Section 5.07)

Special Debt Service Reserve Fund

1. The Trustee shall deposit into the Applicable Special Debt Service Reserve Fund any monies made available from time to time by the Commissioner of Health and the Director of the Budget for the purposes of the Special Debt Service Reserve Fund and any other monies which may be made available to the Authority for the purpose of the Applicable Special Debt Service Reserve Fund from any other source or sources. The Authority shall deposit into the Applicable Special Debt Service Reserve Fund monies received pursuant to the Applicable Tri-Party Agreement until the aggregate amount so deposited equals the Applicable Special Debt Service Reserve Fund Maximum Deposit.

2. Monies and securities held for the credit of the Special Debt Service Reserve Fund shall be transferred by the Trustee to the Applicable Debt Service Fund at the times and in the amounts required to comply with the provisions regarding payments from the Applicable Debt Service Fund.

3. Any income or interest earned by, or increment to, an Applicable Special Debt Service Reserve Fund due to the investment thereof accruing during a Bond Year shall be transferred by the Trustee, on the last day of such Bond Year, to the Authority for deposit in the Secured Hospital Fund, but only to the extent that any such transfer will not reduce the amount of the Applicable Special Debt Service Reserve Fund below the aggregate amount of the Applicable Special Debt Service Reserve Maximum Deposit.

(Section 5.08)

Application of Moneys in the Debt Service Fund for Redemption of Bonds

1. Moneys delivered to the Trustee, which by the provisions of the Loan Agreement, the Applicable Service Contract, the Applicable Series Resolution or the Resolution are to be applied for redemption of the Applicable Series of Bonds, shall upon receipt by the Trustee be deposited to the credit of the appropriate account in the Applicable Debt Service Fund for such purpose.

2. In the event that on any interest payment date the amount in the Applicable Debt Service Fund, exclusive of amounts therein deposited for the redemption of an Applicable Series of Bonds, shall be less than the amounts respectively required for payment of interest on Outstanding Bonds of such Series, for the payment of principal of such Outstanding Bonds or for the payment of Sinking Fund Installments of such Outstanding Bonds of such Series due and payable on such interest payment date, the Trustee shall, after the withdrawals made from the Applicable Special Debt Service Reserve Fund and Applicable Capital Reserve Fund pursuant to the Resolution, apply moneys in the Applicable Debt Service Fund deposited therein for the redemption of such Bonds (other than moneys required to pay the Redemption Price of any such Outstanding Bonds theretofore called for redemption or to pay the purchase price of Outstanding Bonds of such Series theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the date of redemption or purchase) in the following order of priority, to pay interest on, principal of or Sinking Fund Installments of such Bonds, respectively.

3. Subject to the provisions of the preceding paragraph, moneys in the Applicable Debt Service Fund to be used for redemption of Bonds of an Applicable Series shall be applied by the Trustee 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 Authority shall direct.

4. Notwithstanding the provisions of the preceding paragraph of this Section, if the amount in the Applicable Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of an Applicable 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 date of redemption or purchase) is sufficient to make provision pursuant to the Resolution for the payment of such Outstanding Bonds at the maturity or redemption date thereof, the Authority may request the Trustee to take such action consistent with the Resolution as is required thereby to deem certain of such Bonds to have been paid within the meaning of the Resolution. The Trustee, upon receipt of such request, the irrevocable instructions required by the Resolution and irrevocable instructions of the Authority to purchase direct obligations of the United States of America sufficient to make any deposit required thereby, shall comply with such request.

(Section 5.09)

Arbitrage Rebate Fund

The Trustee shall deposit to the appropriate account in the Applicable Arbitrage Rebate Fund any moneys delivered to it by the Institution for deposit therein and, notwithstanding any other provisions of Article 5 of the Resolution, shall transfer to the Applicable Arbitrage Rebate Fund, in accordance with the directions of the Authority, moneys on deposit in any other funds held by such Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Applicable Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any Applicable Fund in accordance with the directions of the Authority.

If and to the extent required by the Code, the Authority shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Applicable Series of Bonds and direct the Trustee to (i) transfer from any other of the Applicable funds held by the Trustee under the Resolution and deposit to the Applicable Arbitrage Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) pay out of the Applicable Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 5.10)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Resolution, if, upon the computation of assets of an Applicable Debt Service Fund and the Applicable Capital Reserve Fund pursuant to the Resolution, the amounts held in the appropriate accounts in the Applicable Debt Service Fund and the Applicable Capital Reserve Fund are sufficient to pay the principal or Redemption Price of all Outstanding Bonds of the Applicable Series and the interest accrued and to accrue on such Bonds to the next date of redemption when all such Bonds be redeemable, the Trustee shall so notify the Authority and the Institution. Upon receipt of such notice, the Authority may request the Trustee to redeem all such Outstanding Bonds. The Trustee shall, upon receipt of such request in writing by the Authority, proceed to redeem or provide for the redemption of such Outstanding Bonds in the manner provided for redemption of such Bonds by the Resolution and by the Applicable Series Resolution.

(Section 5.11)

Computation of Assets of Certain Funds

The Trustee, as promptly as practicable (i) after the end of each calendar month, (ii) upon the request of the Authority, (iii) upon the request of the Institution, but not more frequently than once a calendar month, and (iv) at such other times as may be necessary in connection with a withdrawal and deposit made pursuant to the Resolution, shall compute the value of the assets in the Applicable Capital Reserve Fund and the Applicable Special Debt Service Reserve Fund, in the case of the requirement under (i) above, on the last day of each such month, in the case of a request pursuant to (ii) or (iii) above, at the date of such request, or, in the case of a withdrawal and deposit, at the date of such withdrawal and deposit, and notify the Authority and the Institution as to the results of such computation and the amount by which the value of the assets (i) in the Applicable Capital Reserve Fund exceeds or is less than the Applicable Capital Reserve Fund Requirement or (ii) in the Applicable Special Debt Reserve Fund exceeds or is less than the Applicable Special Debt Service Reserve Fund Maximum Deposit.

(Section 5.13)

Investment of Funds Held by the Trustee

1. Moneys held under the Resolution by the Trustee in an Applicable Debt Service Fund, Applicable Construction Fund, Applicable Capital Reserve Fund, Applicable Special Debt Service Reserve Fund and Applicable Arbitrage Rebate Fund, if permitted by law, shall, as nearly as may be practicable, be invested by the Trustee, upon direction of the Authority given or confirmed in writing, signed by an Authorized Officer of the Authority (which direction shall specify the amount thereof to be so invested), in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of an Applicable Credit Facility Provider or a Rating Service applicable to funds held under the Resolution any other Permitted Investment, **provided, however**, that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Resolution; **provided, further**, that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person.

2. Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held by the Trustee under the provisions of the Resolution shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

3. In computing the amount in any fund or account held by the Trustee under the provisions of the Resolution, each Permitted Investment shall be valued at par or the market value thereof, plus accrued interest, whichever is lower, except that investments held in a Capital Reserve Fund and a Special Debt Service Reserve Fund shall be valued at the market value thereof, plus accrued interest.

4. The Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, or present for redemption or exchange any investment held by the Trustee pursuant to the Resolution and the proceeds thereof may be reinvested as provided in the Resolution. Except as otherwise provided in the Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority and the Institution in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of the Resolution for such investments. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

5. No part of the proceeds of any Applicable Series of Bonds or any other funds of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(Section 6.02)

Enforcement of Duties and Obligations of the Institution

The Authority shall take all legally available action to cause the Institution to perform fully all duties and acts and comply fully with the covenants of such Institution required by the Mortgage and Loan Agreement in the manner and at the times provided in such Mortgage or Loan Agreement; **provided, however**, that the Authority may delay, defer or waive enforcement of one or more provisions of said Mortgage or Loan Agreement (other than provisions requiring the payment of moneys or the delivery of securities to the Trustee for deposit to any fund or account established under the Resolution) if the Authority determines such delay, deferment or waiver will not materially adversely affect the interests of the Holders of the Bonds of an Applicable Series.

(Section 7.06)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds of an Applicable Series to be deposited in the Applicable Construction Fund, any moneys paid or letter of credit or other security payable to the Authority for the acquisition, construction, reconstruction, renovation or equipment of an Applicable Project and any moneys received in respect of damage to or condemnation of such Project shall be deposited in the Applicable Construction Fund.

(Section 7.07)

Amendment of Service Contract

An Applicable Service Contract may not be amended, changed, modified, altered or terminated so as to materially adversely affect the interest of the Holders of Outstanding Bonds without the prior written consent of (a) the Holders of at least fifty-one percent (51%) in principal amount of such Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modifications or amendments, the Holders of not less than fifty-one percent (51%) in principal amount of the Bonds of each Series so affected than Outstanding; **provided, however**, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Resolution; and **provided, further**, that no such amendment, change, modification, alteration or termination will reduce the percentage of the aggregate principal amount of Outstanding Bonds the consent of the Holders of which is a requirement for any such amendment, change, modification, alteration or termination, or decrease the amount of any payment to be made under the Service Contract or extend the time of payment thereof. An Applicable Service Contact may be amended, changed, modified or altered with the consent of the Trustee but without the consent of the Holders of Outstanding Series of Bonds to provide necessary changes in connection with the acquisition, construction, reconstruction, rehabilitation and improvement or otherwise providing, furnishing and equipping of a Project or the issuance of a Series of Bonds, to cure any ambiguity, or to correct or supplement any provisions contained in the Applicable Service Contract which may be defective or inconsistent with any other provisions contained in the Resolution or in the Applicable Service Contract. No amendment to the Applicable Service Contract shall become effective until an executed copy thereof certified by an Authorized Officer of the Authority shall be filed with the Trustee.

(Section 7.10)

Amendment of Mortgage or Loan Agreement

No Loan Agreement shall be modified in a manner detrimental to Bondholders; **provided, however**, the Loan Agreement may be modified so long as the Institution shall be obligated to make all payments required thereunder to allow the Trustee to comply with the payment terms of the Resolution, as amended, and the payment terms of the Applicable Series Resolution, as amended and the Loan Agreement and Mortgage may be modified in connection with the issuance of a Series of Bonds to refund and defease all of the Bonds of such Applicable Series to conform to the terms of the Refunding Bonds and the Series Resolution authorizing the issuance of such Refunding Bonds. Principal payments of the Loan Agreement and Mortgage may not be extended or deferred without delivery of a certificate of an Authorized Officer of the Trustee that such deferral or extension will not adversely affect the Authority's ability to pay interest coming due, Sinking Fund Installments, when due, or principal at maturity of the Applicable Series of Bonds.

(Section 7.11)

Notice as to Event of Default Under Loan Agreement

The Authority shall notify the Trustee in writing that an "Event of Default" under the Loan Agreement, as such term is defined in such Loan Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(Section 7.12)

Compliance with and Pledge of Service Contract

In order to assure the timely payment of all amounts to be received pursuant to the terms of any Service Contract, the Authority covenants to fully comply with the requirements of each Service Contract and does by the Resolution pledge for the benefit of the Applicable Bondholders its interest in the Applicable Service Contract. The pledge of such Service Contract for the benefit of the Bondholders shall be valid and binding from and after the date of adoption of this Resolution, and each such Service Contract shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

(Section 7.13)

Tax Exemption: Rebates

In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds of each Applicable Series, the Authority shall comply with the provisions of the Code applicable to the Bonds of each Applicable Series, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Applicable Series of Bonds, reporting of earnings on the Gross Proceeds of each Applicable Series of Bonds, and rebates of Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the Authority shall comply with the letter of instructions as to compliance with the Code with respect to each such Series of Bonds, to be delivered by Bond Counsel at the time the Bonds of an Applicable Series are issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The Authority shall not take any action or fail to take any action, which would cause the Bonds of an Applicable Series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

Notwithstanding any other provision of the Resolution to the contrary, the Authority's failure to comply with the provisions of the Code applicable to the Bonds of an Applicable Series shall not entitle the Holder of Bonds of any other Applicable Series, or the Trustee acting on their behalf, to exercise any right or remedy provided to Bondholders under the Resolution based upon the Authority's failure to comply with the provisions of this Section of the Resolution or of the Code.

(Section 7.14)

Modification and Amendment Without Consent

Notwithstanding any other provisions of the Resolution, the Authority may adopt at any time or from time to time Supplemental Resolutions for any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by the Authority:

(a) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds of an Applicable Series, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(b) To prescribe further limitations and restrictions upon the issuance of Bonds of an Applicable Series and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(c) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Resolution, **provided that** the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution;

(d) To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by the provisions of, the Resolution, or any Applicable Series Resolution, the Applicable Revenues, the Mortgage, or any pledge of any other moneys, securities or funds;

(e) To modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution in any other respects, **provided that** such modifications shall not be effective until after all Bonds of an Applicable Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution shall cease to be Outstanding, and all Bonds of an Applicable Series issued under an Applicable Series Resolution shall contain a specific reference to the modifications contained in such subsequent resolutions; or

(f) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Resolution or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, **provided that** any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Resolution or of any previously adopted Applicable Series Resolution or Applicable Supplemental Resolution in any other respect, **provided that** such modification shall not adversely affect the interests of the Holders of Bonds of an Applicable Series in any material respect.

(Section 9.02)

Applicable Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the Resolution and an Applicable Series Resolution may also be modified or amended at any time or from time to time by an Applicable Supplemental Resolution, subject to the consent of the Applicable Bondholders in accordance with and subject to the provisions of Article 10 of the Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by the Authority.

(Section 9.03)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Authority which shall be deemed to affect an Applicable Series of Bonds and of the Holders of the Bonds of such Applicable Series under the Resolution, in any particular, may be made by an Applicable Supplemental Resolution, with the written consent given as provided in the Resolution, (i) of the Holders of at least two-thirds (2/3) in principal amount of the Bonds Outstanding of an Applicable Series at the time such consent is given, or (ii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds (2/3) in principal amount of the Bonds of the Applicable Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; **provided, however**, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any Applicable 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 the Resolution. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond of an Applicable Series or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds of an Applicable Series the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of the Resolution, an Applicable Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of an Applicable Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds of an Applicable Series. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of an Applicable Series or maturity would be so affected by any such modification or amendment of the Resolution.

(Section 10.01)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Authority and of the Holders of the Bonds of an Applicable Series under the Resolution may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of such Supplemental Resolution certified by the Authority and the consent of the Holders of all of the Bonds then Outstanding of the Applicable Series, such consent to be given as provided in the Resolution, except that no notice to such Bondholders either by mailing or publication shall be required.

(Section 10.03)

Events of Default

An event of default shall exist under the Resolution and under an Applicable Series Resolution (in the Resolution called "event of default") if:

(a) With respect to the Applicable Series of Bonds, payment of the principal, Sinking Fund Installments or Redemption Price of any such Bond shall not be made by the Authority when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(b) With respect to the Applicable Series of Bonds, payment of an installment of interest on any such Bond shall not be made by the Authority when the same shall become due and payable; or

(c) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of the covenants contained in Section 7.14 of the Resolution or any similar covenants contained in the Applicable Series Resolution and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or

(d) With respect to the Applicable Series of Bonds, the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions for the benefit of the holders of such Bonds contained in the Resolution or in the Bonds of such Series or in the Applicable

Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series; or

(e) The State shall fail to pay to the Authority such amount as shall be certified by the Chair of the Authority pursuant to such provision of the Applicable Service Contract, as the State's contractual obligation.

An Event of Default under the Resolution in respect of an Applicable Series of Bonds shall not in and of itself be or constitute an Event of Default in respect of any other Applicable Series of Bonds.

(Section 11.02)

Acceleration of Maturity

Upon the happening and continuance of any event of default specified in the Resolution, other than an event of default relating to the covenant to maintain tax-exemption then and in every such case the Trustee upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series shall, by a notice in writing to the Authority, declare the principal of and interest on all of the Outstanding Bonds of the Applicable Series to be due and payable immediately. At the expiration of thirty (30) days from the giving of notice of such declaration, such principal and interest shall become and be immediately due and payable, anything in the Resolution or in the Applicable Series Resolution or in the Applicable Series of Bonds to the contrary notwithstanding. At any time after the principal of the Bonds of an Applicable Series shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Resolution, the Trustee may with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of such Series of Bonds not then due by their terms and then Outstanding, by written notice to the Authority, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Applicable Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds of such Series (except the interest accrued on such Bonds since the last interest payment date); (ii) moneys shall have accumulated and be available sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and any Paying Agent incurred in connection with such Series of Bonds; (iii) all other amounts then payable by the Authority under the Resolution in connection with such Series of Bonds and under such Series Resolution shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and (iv) every other default known to the Trustee in the observance or performance of such covenant, condition or agreement contained in the Resolution or in such Series Resolution or in such Bonds (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(Section 11.03)

Enforcement of Remedies

Upon the happening and continuance of any event of default specified in the Resolution, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Applicable Series, shall proceed, to protect and enforce its rights and the rights of the Holders of Bonds of the Applicable Series under the Resolution or under such Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Resolution or under such Series Resolution or in aid or execution of any power in the Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights, including the foreclosure of any Mortgage assigned to the Trustee. In the enforcement of any remedy under the Resolution and under the Applicable

Series Resolution the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then, or during any default becoming, and at any time remaining, due from the Authority for principal or interest or otherwise under any of the provisions of the Resolution or of the Applicable Series Resolution or of the Applicable Series of Bonds, with interest or overdue payment of the principal of and interest on such Bonds at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Resolution and under any Applicable Series Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of such Bonds, and to recover and enforce judgment or decree against the Authority but solely as provided in the Resolution, in the Applicable Series Resolution and in such Bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in the manner provided by law, the moneys adjudged or decreed to be payable.

(Section 11.04)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds of an Applicable Series shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Resolution or under any Applicable Series Resolution, or for any other remedy under the Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of an Applicable Series or, in the case of an event of default specified for maintaining the tax-exempt status of the Bonds, the Holders of not less than a majority in principal amount of the Outstanding Bonds of such Series, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Resolution or to institute such action, suit or proceeding in its or their name, and unless, also there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are by the Resolution declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Resolution or for any other remedy under the Resolution and thereunder. It is understood and intended that no one or more Holders of the Bonds of an Applicable Series secured by the Resolution and by an Applicable Series Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Resolution or to enforce any right under the Resolution except in the manner in the Resolution provided, and that all proceedings at law or in equity shall be instituted and maintained for the benefit of all Holders of the Outstanding Bonds of such Series. Notwithstanding any other provision of the Resolution, the Holder of any Bond of an Applicable Series shall have the right which is absolute and unconditional to receive payment of the principal of (or Redemption Price, if any) and interest on such Bond on the stated maturity expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(Section 11.08)

Defeasance

1. If the Authority shall pay or cause to be paid to the Holders of the Bonds of an Applicable Series the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest thereon, at the times and in the manner stipulated therein, in the Resolution, and in the Applicable Series Resolution and Applicable Bonds Series Certificate, then the pledge of the Applicable Revenues or other moneys and securities pledged to such Series of Bonds and all other rights granted by the Resolution to such Series of Bonds shall be discharged and satisfied, and the right, title and interest of the Trustee in the Loan Agreement, the Mortgage and the Revenues shall thereupon cease with respect to such Series of Bonds. Upon such payment or provision for payment, the Trustee, on demand of the Authority, shall release the lien of the Resolution and Applicable Series Resolution but only with respect to such Applicable Series, except as it covers moneys and securities provided for the payment of such Bonds, shall endorse the Mortgage for cancellation and return the same to the Institution together with a release of the Mortgage in proper form for recordation, and shall execute such documents to evidence such release as may be reasonably required by the Authority, and the Institution and shall turn over to the Institution or such

person, body or authority as may be entitled to receive the same, upon such indemnification, if any, as the Authority or the Trustee may reasonably require, all balances remaining in any funds held under and all moneys or other the Applicable Series Resolution after paying or making proper provision for the payment of the principal or Redemption Price (as the case may be) of, and interest on, all Bonds of the Applicable Series and payment of expenses in connection therewith; **provided that** if any of such Bonds are to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bonds and notice of such redemption shall have been duly mailed in accordance with the Resolution and the Applicable Series Resolution or irrevocable instructions to mail such notice shall have been given to the Trustee.

2. Bonds of an Applicable Series for which moneys shall have been set aside, shall be held in trust by the Trustee for the payment or redemption thereof, (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. All Outstanding Bonds of an Applicable Series or any maturity within such Series or a portion of a maturity within such 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 Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail, as provided in Article 4 of the Resolution, notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and interest on which when due will, as verified by the report of a firm of independent certified public accountants, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds of an Applicable Series on and prior to the redemption date or maturity date thereof, as the case may be, (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the holders of said Bonds at their respective last known addresses, if any, appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds. The Authority shall give written notice to the Trustee of its selection of the maturity for which payment shall be made in accordance with the Resolution. The Trustee shall select which Bonds of such Series and which maturity thereof shall be paid in accordance with the Resolution. Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to the Resolution nor principal or interest payments on any Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds; provided that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in the Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on such Bonds on and prior to such redemption 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 certified by the Trustee to be in excess of the amount required in the Resolution to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Applicable Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of the Authority; second, to the Authority the amount certified by the Authority to be then due or past due pursuant to the Loan Agreement for fees and expenses of the Authority or pursuant to any indemnity; and, then, as directed by the Authority and any such moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution or by such Loan Agreement.

3. Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying

Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Holders of Bonds shall look only to the Authority for the payment of such Bonds; **provided, however**, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(Section 12.01)

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SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. Such summary does not purport to be complete and reference is made to the Loan Agreement for full and complete statements of each of its provisions. Defined terms used in this Appendix shall have the meanings ascribed to them in Appendix F. Unless otherwise indicated, references to section numbers herein refer to sections in the Loan Agreement. All references to "Bonds" in this summary of certain provisions of the Loan Agreement shall mean the Authority's Secured Hospital Revenue Refunding Bonds, (Wyckoff Heights Medical Center), Series 2015, issued and outstanding from time to time.

Debt Service Requirement

"Debt Service Requirement" means as of any time of determination thereof, an amount equal to the aggregate of (i) with respect to the interest on Outstanding Bonds payable on the first interest payment date therefor, if such interest payment date occurs more or less than six (6) calendar months after the date of issuance of the Bonds, the amount of interest thereon payable on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates occurring prior to such interest payment date on which payments with respect to such interest are to be made pursuant to paragraph (c) of subdivision 1 under "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" herein, multiplied by the number of dates on which such payments are to be made which have occurred on or prior to the date of determination, (ii) with respect to the interest on Outstanding Bonds payable on such Bonds on an interest payment date subsequent to the first interest payment date therefor, one-sixth (1/6) of the interest payable on such Bonds on the next succeeding interest payment date on which interest on such Bonds comes due multiplied by the number of calendar months or part thereof which has elapsed since the immediately preceding interest payment date for such Bonds, (iii) with respect to the principal and Sinking Fund Installments of Outstanding Bonds payable on the February 15 next succeeding the date on which the Bonds were issued, the principal and Sinking Fund Installments thereon payable on such February 15 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of dates occurring prior to such February 15 on which payments with respect to such principal and Sinking Fund Installments are to be made pursuant to paragraph (d) of subdivision 1 under "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" herein, multiplied by the number of dates on which such payments are to be made which have occurred on or prior to the date of determination, and (iv) with respect to the principal and Sinking Fund Installments of Outstanding Bonds payable on the February 15 on which principal or Sinking Fund Installments thereof were payable, one-twelfth (1/12) of the amount of principal and Sinking Fund Installments of such Bonds payable on the next succeeding February 15 multiplied by the number of calendar months or part thereof which has elapsed since the immediately preceding February 15.

(Section 1)

Amendment of Project; Sale, Conveyance or Encumbrance of Project

The Project may be amended by agreements supplementing the Loan Agreement by and between the Authority, the Department of Health and the Institution, to decrease, increase or otherwise modify the scope thereof. Any such increase may provide for the addition of any further acquisition, design, construction, reconstruction, rehabilitation, renovation, improving, or otherwise providing, furnishing and equipping of the Project which the Authority is authorized to undertake.

The Institution covenants that it shall not transfer, sell, encumber, grant liens on or convey any interest in the Project, the Mortgaged Property or any part thereof or interest therein, including development rights, without the prior written consent of the Authority and the Department of Health, which consent shall be accompanied by (i) an agreement by the Institution to comply with all terms and conditions of such consent and (ii) an opinion of Bond Counsel stating that the change will have no material adverse effect on the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Project or which comprise a part of the Project provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 5)

Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments

1. Except to the extent that moneys are available therefor under the Resolution or the Series Resolution or under the Loan Agreement, including moneys in the Debt Service Fund, but excluding moneys from the Capital Reserve Fund, Special Debt Service Reserve Fund or the Arbitrage Rebate Fund and excluding interest accrued but unpaid on investments held in the Debt Service Fund, the Institution unconditionally agrees to pay, so long as Bonds are Outstanding, to or upon the order of the Authority, from its general funds or any other moneys legally available to it:

(a) (i) On or before the date of delivery of the Bonds, an amount set forth in the Loan Agreement to pay the Authority fee related to the issuance of the Bonds;

(b) On or before the date of delivery of the Bonds, such amount, if any, as in the reasonable judgment of the Authority is necessary to pay the Costs of Issuance of such Bonds, and other costs in connection with the issuance of such Bonds;

(c) On the first (1st) day of each month commencing on the first (1st) day of the sixth (6th) month immediately preceding the date on which interest on Bonds becomes due, one-sixth (1/6) of the interest coming due on the Bonds on the immediately succeeding interest payment date on the Bonds; provided, however, that, if there are more or less than six (6) such payment dates prior to the first interest payment on the Bonds of such Series, on each payment date prior to such interest payment date the Institution shall pay an amount equal to the interest coming due on Bonds on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates prior to the first interest payment date on the Bonds;

(d) On the first (1st) day of each month commencing on the first (1st) day of the twelfth (12th) Month preceding the month in which a principal or a Sinking Fund Installment payment of Bonds becomes due, one-twelfth (1/12) of the principal and Sinking Fund Installment on the Bonds coming due; provided, however, that, if there are less than twelve (12) such payment dates prior to a principal or Sinking Fund Installment due date, on each loan payment date prior to such principal or Sinking Fund Installment due date, the Institution shall pay an amount equal to the principal and Sinking Fund Installment coming due multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of loan payment dates prior to such principal or Sinking Fund Installment due date;

(e) At least forty-five (45) days prior to any date on which the Redemption Price or purchase price of Bonds previously called for redemption or contracted to be purchased is to be paid, the amount required to pay the Redemption Price or purchase price of such Bonds;

(f) [Reserved];

(g) The Annual Administrative Fee through the final maturity date or earlier date or until such Bonds are no longer Outstanding;

(h) Promptly after notice from the Authority, but in any event not later than fifteen (15) days after such notice is given, the amount set forth in such notice as payable to the Authority (i) to reimburse the Authority for payments made by it pursuant to subdivision 5 under this Section and any expenses or liabilities incurred by the Authority pursuant to Sections 22, 24 or 27 of the Loan Agreement,

(ii) to reimburse the Authority for any reasonable external costs or expenses incurred by it attributable to the issuance of the Bonds or the financing or refinancing of the Project, including, but not limited to, costs and expenses of insurance and auditing, (iii) for the costs and expenses incurred by the Authority to compel full and punctual performance by the Institution of all the provisions of the Loan Agreement, or of the Mortgage or the Resolution or the Series Resolution in accordance with the terms of the Loan Agreement and thereof, and (iv) for the fees and expenses of the Trustee and any Paying Agent in connection with performance of their duties under the Resolution or the Series Resolution;

(i) Promptly upon demand by the Authority (a copy of which demand shall be furnished to the Trustee), all amounts required to be paid by the Institution as a result of an acceleration pursuant to Section 28 of the Loan Agreement; and

(j) Promptly upon demand by the Authority, the difference between the amount on deposit in the Arbitrage Rebate Fund or otherwise available therefor under the Resolution for the payment of any rebate required by the Code to be made and the amount required to be rebated to the Department of the Treasury of the United States of America in accordance with the Code in connection with the Bonds of any Series.

Subject to the provisions of the Loan Agreement and of the Resolution or the Series Resolution, the Institution shall receive a credit against the amount required to be paid by the Institution during a Bond Year pursuant to paragraph (d) of this subdivision on account of a Sinking Fund Installment if, prior to the date notice of redemption is given pursuant to the Resolution with respect to Bonds to be redeemed through a Sinking Fund Installment payable on the next succeeding February 15, the Institution delivers to the Trustee for cancellation one or more Bonds and maturity to be so redeemed on such February 15. The amount of the credit shall be equal to the principal amount of the Bonds so delivered.

The Authority by the Loan Agreement directs the Institution, and the Institution by the Loan Agreement agrees, to make the payments required by paragraphs (c), (d), (e) and (i) of this subdivision directly to the Trustee for deposit in the Debt Service Fund and application in accordance with the Resolution or the Series Resolution, the payments required by paragraph (b) of this subdivision directly to the Trustee for deposit in the Construction Fund or other fund established under the Resolution or the Series Resolution, as directed by the Authority, the payments required by paragraph (j) of this subdivision, directly to the Trustee for deposit in the Arbitrage Rebate Fund, and the payments required by paragraphs (a), (g) and (h) of this subdivision directly to the Authority and the payments required by paragraph (f) of this sub-division directly to the Commissioner of Health.

2. Notwithstanding any provision in the Loan Agreement or in the Resolution or the Series Resolution to the contrary (except as otherwise specifically provided for in this subdivision 2), (i) all moneys paid by the Institution to the Trustee pursuant to paragraphs (c), (d), (e) and (i) of subdivision 1 of this Section (other than moneys received by the Trustee pursuant to Section 8.06 of the Resolution which shall be retained and applied by the Trustee for its own account) shall be received by the Trustee as agent for the Authority in satisfaction of the Institution's indebtedness to the Authority with respect to the interest on and principal or Redemption Price of the Bonds to the extent of such payment and (ii) the transfer by the Trustee of any moneys (other than moneys described in clause (i) of this subdivision) held by it in the Construction Fund to the Debt Service Fund in accordance with the applicable provisions of the Loan Agreement or of the Resolution shall be deemed, upon such transfer, receipt by the Authority from the Institution of a payment in satisfaction of the Institution's indebtedness to the Authority with respect to the Redemption Price of the Bonds to the extent of the amount of moneys transferred. Immediately after receipt or transfer of such moneys, as the case may be, by the Trustee, the Trustee shall hold such moneys in trust in accordance with the applicable provisions of the Resolution for the sole and exclusive benefit of the Bondholders, regardless of the actual due date or applicable payment date of any payment to the Bondholders, except in respect to the payment to the Authority by the Trustee as provided for in Section 5.05 of the Resolution.

3. The obligations of the Institution to make payments or cause the same to be made under the Loan Agreement in repayment of the Loan shall be absolute and unconditional and the amount, manner and

time of making such payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening or non-happening of any event, irrespective of any defense or any right of set-off, recoupment or counterclaim which the Institution may otherwise have against the Authority, the Trustee or any Bondholder for any cause whatsoever including, without limiting the generality of the foregoing, failure of the Institution to complete the Project or the completion thereof with defects, failure of the Institution to occupy or use the Project, any declaration or finding that the Bonds are or the Resolution or the Series Resolution is invalid or unenforceable or any other failure or default by the Authority or the Trustee; provided, however, that nothing in the Loan Agreement shall be construed to release the Authority from the performance of any agreements on its part in the Loan Agreement contained or any of its other duties or obligations, and in the event the Authority shall fail to perform any such agreement, duty or obligation, the Institution may institute such action as it may deem necessary to compel performance or recover damages for non-performance. Notwithstanding the foregoing, the Authority shall have no obligation to perform its obligations under the Loan Agreement to cause advances to be made to reimburse the Institution for, or to pay, the Costs of the Project beyond the extent of moneys in the Construction Fund established for the Project.

The Loan Agreement and the obligation of the Institution to make payments on the Loan under the Loan Agreement are general obligations of the Institution.

4. The Authority, for the convenience of the Institution, shall furnish to the Institution statements of the due date, purpose and amount of payments to be made pursuant to the Loan Agreement. The failure to furnish such statements shall not excuse non-payment of the amounts payable under the Loan Agreement at the time and in the manner provided by the Loan Agreement. The Institution shall notify the Authority as to the amount and date of each payment made to the Trustee by the Institution.

5. The Authority shall have the right in its sole discretion to make on behalf of the Institution any payment required pursuant to this Section which has not been made by the Institution when due. No such payment by the Authority shall limit, impair or otherwise affect the rights of the Authority under Section 28 of the Loan Agreement arising out of the Institution's failure to make such payment and no payment by the Authority or by the State pursuant to the Service Contract or from moneys advanced from the Special Debt Service Fund or the Capital Reserve Fund shall be construed to be a waiver of any such right or of the obligation of the Institution to make such payment.

6. The Institution, if there is not then an Event of Default under the Loan Agreement, shall have the right to make voluntary payments in any amount to the Trustee. In the event of a voluntary payment, the amount so paid shall be deposited in accordance with the directions of the Authority in the Debt Service Fund or held by the Trustee for the payment of Bonds in accordance with Section 12.01 of the Resolution. Upon any voluntary payment by the Institution or any deposit in the Debt Service Fund made pursuant to subdivision 2 hereinabove, the Authority agrees to direct the Trustee to purchase or redeem Bonds in accordance with the Resolution or to give the Trustee irrevocable instructions in accordance with Sections 5.09 and 12.01 of the Resolution; provided, however, that in the event such voluntary payment is in the sole judgment of the Authority sufficient to pay all amounts then due under the Loan Agreement and under the Resolution or the Series Resolution, including the purchase or redemption of all Bonds Outstanding, or to pay or provide for the payment of all Bonds Outstanding in accordance with Section 12.01 of the Resolution, the Authority agrees, in accordance with the instructions of the Institution, to direct the Trustee to purchase or redeem all Bonds Outstanding, or to cause all Bonds Outstanding to be paid or to be deemed paid in accordance with Section 12.01 of the Resolution.

(Section 8)

Reserve Funds

The Institution agrees that it will at all times maintain on deposit in the Capital Reserve Fund an amount at least equal to the Capital Reserve Fund Requirement, provided that the Institution shall be required to deliver moneys, Government Obligations or Exempt Obligations to the Trustee for deposit in the Capital Reserve Fund as a result of a deficiency in such fund only after the notice required by subdivision 4 of Section 5.07 of the Resolution is given.

The Institution agrees that upon each delivery to the Trustee of Government Obligations, Exempt Obligations or other Securities, whether initially or upon later delivery or substitution, the Institution shall deliver to the Authority and the Trustee a certificate of an Authorized Officer of the Institution to the effect that the Institution warrants and represents that the Government Obligations, Exempt Obligations or other Securities delivered by the Institution (i) are on the date of delivery thereof free and clear of any lien, pledge, charge, security interest or other encumbrance or any statutory, contractual or other restriction that would be inconsistent with or interfere with or prohibit the pledge, application or disposition thereof as contemplated by the Loan Agreement, by the Series Resolution or by the Resolution and (ii) are pledged under the Loan Agreement pursuant to appropriate corporate action of the Institution duly had and taken.

(Section 9)

Security Interest in Gross Receipts

As security for the payment of the Loan and all liabilities and the performance of all obligations of the Institution pursuant to the Loan Agreement, the Institution does continuously pledge, grant a security interest in, and assign to the Authority the Gross Receipts, together with the Institution's right to receive and collect the Gross Receipts and the proceeds of the Gross Receipts.

The Institution represents and warrants that, except for Permitted Encumbrances, no part of the Gross Receipts or any right to receive or collect the same or the proceeds thereof is subject to any lien, pledge, security interest or assignment, and that the Gross Receipts assigned pursuant to the Loan Agreement are legally available to provide security for the Institution's performance under the Loan Agreement. The Institution agrees that it shall not, without the prior written consent of the Authority and the Department of Health, after the date of the Loan Agreement create or permit the creation of any pledge, assignment, encumbrance, restriction, security interest in or other commitment of or with respect to the Gross Receipts which is prior or on a parity with the pledge made by this Section. Accordingly, the Authority, with the consent of NYSDOH, may consent to the granting of a superior or parity interest in the Gross Receipts or may release the Authority's interest in Gross Receipts.

(Section 10)

Collection of Gross Receipts

Commencing on the date on which the Bonds are first issued and delivered and continuing until no Bonds are Outstanding, the Institution agrees to establish and maintain at a bank approved by the Authority an account designated as the "Gross Receipts Pledge Fund Account for the Project" (the "Pledge Fund") and the Institution agrees to execute and deliver in form and content satisfactory to the Authority, an account control agreement for the Pledge Fund (the "Account Control Agreement") that shall, among other things, provide a security interest therein for the benefit of the Authority under the New York Uniform Commercial Code. The Institution agrees to deposit into the Pledge Fund as and when received, its Gross Receipts. The Institution shall apply the monies in the Pledge Fund to the making of the payments required by the Loan Agreement as they become due and payable, and may withdraw monies from the Pledge Fund for any lawful purpose of the Institution including the making of such payments. If an Event of Default shall occur under the Loan Agreement or the Institution shall violate any of the conditions relating to the maintenance of, or the disbursement of monies from the Pledge Fund in accordance with the terms of the Account Control Agreement, then, in accordance with the terms of the Account Control Agreement, and so long as the Event of Default or violation continues, with the consent of the Commissioner of Health, any withdrawal from the Pledge Fund thereafter shall require the consent of the Authority and the consent of the Commissioner of Health. In taking or not taking such action the Authority may consult with and make use of the expertise of professionals knowledgeable in the health care field. The Authority may, in its sole discretion, waive any of the requirements of this Section.

(Section 11)

Mortgage(s); Lien on Fixtures, Furnishings and Equipment

To secure the Loan, at or before the delivery by the Authority of the Bonds, the Institution shall execute and deliver to the Authority a Mortgage, in recordable form, mortgaging the Mortgaged Property acceptable to the Authority, which Mortgage shall constitute a first lien on such Mortgaged Property, subject only to the Permitted Encumbrances. To the extent any provisions of the Mortgage conflict with the provisions of the Loan Agreement, the Loan Agreement shall govern.

Prior to assignment, if any, of the Mortgage to the Trustee, and so long as the State has not failed to advance any funds in accordance with the provisions of the Service Contract, the Authority, with the prior consent of the Department of Health, however, without the consent of the Trustee or the Holders of Bonds, may consent to the amendment, modification, termination, subordination, granting of an interest in the Mortgaged Property on a parity with the Mortgage, or satisfaction of such Mortgage and of any security interest in fixtures, furnishings or equipment located in or on or used in connection with such Mortgaged Property and all or any portion of the property subject to such Mortgage or security interest may be released from the lien thereof, all upon such terms and conditions as the Authority may reasonably require. As a condition to such approval, the Authority may require that the Institution pay to the Trustee for deposit in the Debt Service Fund an amount not to exceed the principal amount of the Bonds Outstanding at the date of such transfer, sale or conveyance, as such amount is determined by the Authority. Notwithstanding the foregoing, the Institution may remove equipment, furniture or fixtures in the Mortgaged Property provided that the Institution substitutes equipment, furniture or fixtures having a value and utility at least equal to the equipment, furniture or fixtures removed or replaced.

(Section 12)

Warranty as to Title; Encumbrances; Title Insurance

The Institution warrants and represents to the Authority that (i) it has good and marketable title to the Project and all Mortgaged Property, free and clear of liens and encumbrances, except Permitted Encumbrances, so as to permit it to have quiet enjoyment and use thereof for purposes of the Loan Agreement and the Institution's programs and (ii) the Institution has such rights of way, easements or other rights in land as may be reasonably necessary for ingress and egress to and from the Project and all Mortgaged Property, for proper operation and utilization of such Project and such Mortgaged Property and for utilities required to serve such Project and such Mortgaged Property, together with such rights of way, easements or other rights in, to and over land as may be necessary for construction by the Institution of each such Project.

The Institution covenants that title to the Project and all Mortgaged Property shall be kept free from any encumbrances, liens or commitments of any kind, other than Permitted Encumbrances and such other encumbrances approved in writing by the Authority.

The Institution warrants, represents and covenants that (i) the Project and all Mortgaged Property are and shall be serviced by all necessary utilities (including, to the extent applicable, without limitation, electricity, gas, water, sewer, steam, heating, air-conditioning and ventilation) and (ii) to the extent applicable, such Project and the Mortgaged Property shall have its own separate and independent means of access, apart from any other property owned by the Institution or others. Such access, however, may be through common roads or walks owned by the Institution used also for other parcels owned by the Institution.

(Section 13)

Consent to Pledge and Assignment by the Authority

1. The Institution consents to and authorizes the assignment, transfer or pledge by the Authority to the Trustee of the Authority's rights to receive the payments required to be made pursuant to paragraphs (c), (d) (e) and (i) of subdivision 1 under "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" herein, any or all security interests granted by the

Institution under the Loan Agreement, including without limitation the security interest in the Gross Receipts, the Mortgage, any security interest in the fixtures, furnishings and equipment located or used in connection with the Mortgaged Property, the Government Obligations, Exempt Obligations and other Securities delivered pursuant to Subdivision 1 under "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or "Reserve Funds" herein and all funds and accounts established by the Resolution (other than the Arbitrage Rebate Fund) and pledged under the Resolution in each case to secure any payment or the performance of any obligation of the Institution under the Loan Agreement or arising out of the transactions contemplated by the Loan Agreement whether or not the right to enforce such payment or performance shall be specifically assigned by the Authority to the Trustee. The Institution further agrees that the Authority may pledge and assign to the Trustee any and all of the Authority's rights and remedies under the Loan Agreement. Upon any pledge and assignment by the Authority to the Trustee authorized by this Section, the Trustee shall be fully vested with all of the rights of the Authority so assigned and pledged and may thereafter exercise or enforce, by any remedy provided therefor by the Loan Agreement or by law, any of such rights directly in its own name. Any such pledge and assignment shall be limited to securing the Institution's obligation to make all payments required by the Loan Agreement and to performing all other obligations required to be performed by the Institution under the Loan Agreement. Any realization upon the Mortgaged Property, and any pledge made or security interest granted by the Loan Agreement shall not, by operation of law or otherwise, result in cancellation or termination of the Loan Agreement or the obligations of the Institution under the Loan Agreement.

2. The Institution covenants, warrants and represents that it is duly authorized by all applicable laws, its charter and by-laws to enter into the Loan Agreement, to incur the indebtedness contemplated thereby, to make and deliver the Mortgage, and to pledge, grant a security interest in and assign to the Authority and the Trustee, for the benefit of the Bondholders, the Gross Receipts and the Government Obligations, Exempt Obligations and other Securities delivered pursuant to subdivision 1 of "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or "Reserve Funds" herein in the manner and to the extent provided in the Loan Agreement and in the Resolution. The Institution further covenants, warrants and represents that any and all pledges, security interests in and assignments to the Authority and the Trustee for the benefit of the Bondholders, granted or made pursuant to the Loan Agreement or to the Mortgage are and shall be free and clear of any pledge, lien, charge, security interest or encumbrance prior thereto, or of equal rank therewith, other than the Permitted Encumbrances, and that all corporate action on the part of the Institution to that end has been duly and validly taken. The Institution further covenants that the provisions of the Loan Agreement are and shall be valid and legally enforceable obligations of the Institution in accordance with their terms. The Institution further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge, security interest in and assignment of the Gross Receipts and the Government Obligations, Exempt Obligations and other Securities delivered pursuant to subdivision 1 of "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or "Reserve Funds" herein and all of the rights of the Authority and Trustee for the benefit of the Bondholders under the Loan Agreement, under the Series Resolution and under the Resolution and the Mortgage against all claims and demands of all persons whomsoever. The Institution further covenants, warrants and represents that the execution and delivery of the Loan Agreement, and of the Mortgage, and the consummation of the transactions contemplated by the Loan Agreement and thereby and compliance with the provisions of the Loan Agreement and thereof, including, but not limited to, the assignment as security or the granting of a security interest in the Government Obligations, Exempt Obligations and other Securities delivered to the Trustee pursuant to subdivision 1 of "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" or "Reserve Funds" herein, do not violate, conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the charter or by-laws of the Institution or any indenture or mortgage, or any trusts, endowments or other commitments or agreements to which the Institution is party or by which it or any of its properties are bound, or any existing law, rule, regulation, judgment, order, writ, injunction or decree of any governmental authority, body, agency or other instrumentality or court having jurisdiction over the Institution or any of its properties.

(Section 14)

Tax-Exempt Status

The Institution represents that (i) it is an organization described in Section 501(c)(3) of the Code, or corresponding provisions of prior law, and is not a "private foundation," as such term is defined under Section 509(a) of the Code, (ii) it has received a letter or other notification from the Internal Revenue Service to that effect, (iii) such letter or other notification has not been modified, limited or revoked, (iv) it is in compliance with all terms, conditions and limitations, if any, contained in such letter or other notification, (v) the facts and circumstances which form the basis of such letter or other notification as represented to the Internal Revenue Service continue to exist, and (vi) it is exempt from federal income taxes under Section 501(a) of the Code. The Institution agrees that (a) it shall not perform any act or enter into any agreement which shall adversely affect such federal income tax status and shall conduct its operations in the manner which will conform to the standards necessary to qualify the Institution as an organization within the meaning of Section 501(c)(3) of the Code or any successor provision of federal income tax law and (b) it shall not perform any act, enter into any agreement or use or permit the Project to be used in any manner, or for any trade or business or other non-exempt use unrelated to the purposes of the Institution, which could adversely affect the exclusion of interest on the Bonds from federal gross income pursuant to Section 103 of the Code.

(Section 15)

Securities Acts Status

The Institution represents that it is an organization organized and operated: (i) exclusively for educational, benevolent or charitable purposes, (ii) not for pecuniary profit, and (iii) no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended. The Institution agrees that it shall not perform any act or enter into any agreement which shall adversely affect such status as set forth in clauses (i), (ii) and (iii) of this Section.

(Section 16)

Maintenance of Corporate Existence; Business Covenants

The Institution covenants that it will maintain its corporate existence, will continue to operate as a non-profit institution for charitable purposes as set forth in its charter, will obtain, maintain and keep in full force and effect such governmental approvals, consents, licenses, permits and accreditations as may necessary for the continued operation of the Institution as an institution for charitable purposes as set forth in its charter providing such services as it may from time to time determine, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more corporations to consolidate with or merge into it; provided, however, that if no Event of Default shall have occurred and be continuing and prior written notice shall have been given to the Authority, the Commissioner of Health and the Trustee, the Institution may (i) sell or otherwise transfer all or substantially all of its assets to, or consolidate with or merge into, another organization or corporation which qualifies under Section 501(c)(3) of the Code, or any successor provision of federal income tax law or, any other corporation or organization upon delivery of an opinion of Bond Counsel stating that such sale, transfer or merger, by itself, will not affect the exemption from income tax of interest on the Bonds, or (ii) permit one or more corporations or any other organization to consolidate with or merge into it, or (iii) acquire all or substantially all of the assets of one or more corporations or any other organization; provided, however, (a) that any such sale, transfer, consolidation, merger or acquisition does not in the opinion of counsel satisfactory to the Authority adversely affect the exclusion from federal gross income of the interest paid or payable on the Bonds, (b) that the surviving, resulting or transferee corporation or organization, as the case may be, is incorporated under the laws of the State, and qualified under Section 501(c)(3) of the Code or any successor provision of federal income tax law or any other corporation or organization upon delivery of an opinion of Bond Counsel stating that such sale, transfer or merger will not affect the exemption from income tax of interest on the Bonds, (c) that the surviving, resulting or transferee corporation or organization, as the case may be, assumes in writing all of the obligations of and restrictions on the Institution hereunder and under the Mortgage and furnishes to the

Authority a certificate and an opinion of counsel to the effect that upon such sale, transfer, consolidation, merger or acquisition such corporation shall be in compliance with each of the provisions hereof and shall meet the requirements of the Act and (d) such other certificates and opinions as may reasonably be required by the Authority.

(Section 17)

Use of the Project; Eligible Secured Hospital Borrower

1. Subject to the rights, duties and remedies of the Authority under the Loan Agreement and the statutory and regulatory powers of the Commissioner of Health, the Institution shall have sole and exclusive control of, possession of and responsibility for (i) the Project and all Mortgaged Property, (ii) the operation of the Project and all Mortgaged Property and supervision of the activities conducted therein or in connection with any part thereof, and (iii) the maintenance, repair and replacement of the Project and all Mortgaged Property.

2. The Institution represents that it has received a determination from the Commissioner of Health that it is an Eligible Secured Hospital Borrower.

(Section 19)

Restrictions on Religious Use

The Institution agrees that with respect to the Project or portion thereof, so long as such Project or portion thereof exists and unless and until such Project or portion thereof is sold for the fair market value thereof, such Project or any portion thereof shall not be used for sectarian religious instruction or as a place of religious worship or in connection with any part of a program of a school or department of divinity for any religious denomination; provided, however, that the foregoing restriction shall not prohibit the free exercise of any religion; and, further provided, however, that if at any time after the date of the Loan Agreement, in the opinion of Bond Counsel, the then applicable law would permit the Project or a portion thereof to be used without regard to the above stated restriction, said restriction shall not apply to such Project and each portion thereof. The Authority and its agents may conduct such inspections as the Authority deems necessary to determine whether the Project or any portion of real property thereof financed or refinanced by the Bonds is being used for any purpose proscribed by the Loan Agreement. The Institution under the Loan Agreement further agrees that prior to any disposition of any portion of the Project for less than fair market value, it shall execute and record in the appropriate real property records an instrument subjecting, to the satisfaction of the Authority, the use of such portion of such Project to the restriction that (i) so long as such portion of such Project (and, if included in such Project, the real property on or in which such portion of such Project is situated) shall exist and (ii) until such portion of such Project is sold or otherwise transferred to a person who purchases the same for the fair market value thereof at the time of such sale or transfer, such portion of such Project shall not be used for sectarian religious instruction or as a place of religious worship or used in connection with any part of the program of a school or department of divinity of any religious denomination. The instrument containing such restriction shall further provide that such restriction may be enforced at the instance of the Authority or the Attorney General of the State, by a proceeding in any court of competent jurisdiction, by injunction, mandamus or by other appropriate remedy. The instrument containing such restriction shall also provide that if at any time thereafter, in the opinion of Bond Counsel, the then applicable law would permit such portion of such Project, or, if included in such Project, the real property on or in which such portion is situated, to be used real without regard to the above stated restriction, then said restriction shall be without any force or effect. For the purposes of this Section an involuntary transfer or disposition of the Project or a portion thereof, upon foreclosure or otherwise, shall be considered a sale for the fair market value thereof.

(Section 20)

Covenant as to Insurance

1. The Institution shall procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers, insurance of the type and in the amounts

customarily maintained by institutions located in the State of New York providing services similar to those provided by the Institution.

2. The Institution shall, with respect to the Mortgaged Property, at the times specified in the following paragraphs, procure and maintain, or cause to be procured and maintained, to the extent reasonably obtainable, from responsible insurers acceptable to the Authority, the following insurance:

(a) with respect to any building on the Mortgaged Property the construction of which shall not have been completed (and until insurance is procured pursuant to paragraph (b) of this paragraph), builders' risk insurance against direct physical loss or damage thereto by fire and lightning, extended coverage perils and vandalism and malicious mischief, or with respect to the acquisition and installation of equipment or machinery, in lieu of builders' risk, an installation floater on an all risk basis. The amount of such insurance shall be on a one hundred per centum (100%) completed value basis on the insurable portion. The builders' risk coverage will include the prime contractors or the installer and the Institution as named insureds as their interests may appear;

(b) at all times (except during a period when builders' risk insurance is in effect as required by paragraph (a) of this subdivision 2), insurance against direct physical loss or damage to the Project or the Mortgaged Property by fire and lightning, extended coverage perils and vandalism and malicious mischief on the plant, structure, machinery, equipment and apparatus comprising the insured property, in an amount not less than eighty per centum (80%) of the replacement value thereof (such replacement value to be determined on the basis of replacement costs without allowance for depreciation), exclusive of excavations and foundations and similar property normally excluded under New York standard forms; provided, however, that the inclusion of the Project or the Mortgaged Property under a blanket insurance policy or policies of the Institution insuring against the aforesaid hazards in an amount aggregating at least ninety per centum (90%) of the insurable value of the insured property, exclusive of excavations and foundations and similar property normally excluded under New York standard forms, shall constitute complete compliance with the provisions of this paragraph with respect to the Project or the Mortgaged Property; provided further, that in any event, each such policy shall be in an amount sufficient to prevent the Institution and the Authority from becoming co-insurers under the applicable terms of such policy;

(c) at all times, statutory workers' compensation insurance, covering loss resulting from injury, sickness, disability or death of employees and employer's liability insurance with limits of at least $1,000,000 for each accident, each sickness, and aggregate occupational illness or sickness;

(d) at all times, statutory disability benefits;

(e) at all times, insurance protecting the Authority and the Institution against loss or losses from liabilities arising from bodily injury of persons or damage to the property of others caused by accident or occurrence, with limits of not less than $1,000,000 per accident or occurrence on account of injury to persons, and $500,000 per accident or occurrence on account of injury to the property of others, or $2,000,000 combined single limit with $2,000,000 policy aggregate, excluding liability imposed upon the Authority or the Institution by any applicable workers' compensation law;

(f) professional liability insurance in an annual aggregate amount of not less than $2,000,000 and not less than $1,000,000 per accident or occurrence;

(g) commencing with the date on which the Project or any improvement on the Mortgaged Property or any part thereof is completed or first occupied, or any equipment, machinery, fixture or personal property covered by comprehensive boiler and machinery coverage is accepted, whichever occurs earlier, insurance providing comprehensive boiler and machinery coverage in an amount considered adequate by the Authority, which insurance may include deductible provisions approved by the Authority; and

(h) each other form of insurance which the Institution is required by law to provide and such other kinds of insurance in such amounts as from time to time may be reasonably required by the Authority.

3. Any insurance procured and maintained by the Authority or the Institution pursuant to this Section including any blanket insurance policy, may include deductible provisions reasonably satisfactory to the Authority and the Institution. In determining whether or not any insurance required by this Section is reasonably obtainable or if the deductible on any such insurance is a reasonable deductible, the Authority may rely solely and exclusively upon the advice and judgment of any insurance consultant chosen by the Institution and approved by the Authority, and any such decision by the Authority, based upon such advice and judgment, shall be conclusive.

4. No provision of this Section shall be construed to prohibit the Institution from self-insuring against any risk at the recommendation of any insurance consultant chosen by the Institution and approved by the Authority provided, however, that self insurance plans shall not cover property, plant and equipment. The Institution shall also cause an annual evaluation of such self-insurance plans to be performed by an independent insurance consultant. The Institution shall provide adequate funding of such self-insurance if and to the extent recommended by such insurance consultant and approved by the Authority.

5. Each policy maintained pursuant to subdivision 2 of this Section shall provide that the insurer writing such policy shall give at least thirty (30) days notice in writing to the Authority of the cancellation or non-renewal or material change in the policy unless a lesser period of notice is expressly approved in writing by the Authority. The Institution, not later than February 15 of each year, shall provide to the Authority a list describing all policies of insurance maintained as of January 31 by the Institution pursuant to this Section stating with respect to each such policy (i) the insurer, (ii) the insured parties or loss payees, (iii) the level of coverage, and (iv) such other information as the Authority may have reasonably requested.

6. All policies and certificates of insurance shall be open to inspection by the Authority and the Trustee or their representatives at all reasonable times during business hours. If any change shall be made in any such insurance, a description and notice of such change shall be furnished to the Authority and the Trustee at the time of such change. The Institution covenants and agrees not to make any change in any policy of insurance which would reduce the coverages or increase the deductible thereunder without first securing the prior written approval of the Authority.

7. All policies of insurance required pursuant to subdivision 2 of this Section, other than policies of workers' compensation insurance, shall include the Authority and the Institution, and, upon assignment of a Mortgage pursuant to the Resolution, the assignees of the Authority, as named insureds or as mortgagee or as loss payee as their interests may appear.

8. In the event the Institution fails to provide the insurance required by subdivision 2 of this Section, the Authority may elect at any time thereafter to procure and maintain the insurance required by this Section at the expense of the Institution. The policies procured and maintained by the Authority shall be open to inspection by the Institution at all reasonable times, and, upon request of the Institution, a complete list describing such policies as of the January 31 preceding the Authority's receipt of such request shall be furnished to the Institution by the Authority.

(Section 22)

Defaults and Remedies

1. As used in the Loan Agreement the "Event of Default" shall mean:

(a) the Institution shall default in the timely payment of any amount payable pursuant to the Section entitled "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" herein or the payment of any other amounts required to be delivered or paid in accordance with the Loan Agreement, the Series Resolution or with the Resolution, and such default continues for a period in excess of seven (7) days;

(b) the Institution defaults in the due and punctual performance of any other covenant in the Loan Agreement contained and such default continues for thirty (30) days after written notice requiring the same to be remedied shall have been given to the Institution by the Authority or the Trustee;

(c) as a result of any default in payment or performance required of the Institution under the Loan Agreement or any Event of Default under the Loan Agreement, whether or not declared, continuing or cured, the Authority shall be in default in the payment or performance of any of its obligations under the Resolution or an "event of default" (as defined in the Resolution) shall have been declared under the Resolution so long as such default or event of default shall remain uncured or the Trustee or Holders of the Bonds shall be seeking the enforcement of any remedy under the Resolution as a result thereof;

(d) the Institution shall be in default under the Mortgage and such default continues beyond any applicable grace period;

(e) the Institution shall (i) be generally not paying its debts as they become due, (ii) file, or consent by answer or otherwise to the filing against it of, a petition under the United States Bankruptcy Code or under any other bankruptcy or insolvency law of any jurisdiction, (iii) make a general assignment for the benefit of its creditors, (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property, (v) be adjudicated insolvent or be liquidated or (vi) take corporate action for the purpose of any of the foregoing;

(f) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Institution, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Institution, or any petition for any such relief shall be filed against the Institution and such petition shall not be dismissed within ninety (90) days;

(g) the charter of the Institution shall be suspended or revoked;

(h) a petition to dissolve the Institution shall be filed by the Institution with the legislature of the State or other governmental authority having jurisdiction over the Institution;

(i) an order of dissolution of the Institution shall be made by the legislature of the State or other governmental authority having jurisdiction over the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days;

(j) a petition shall be filed with a court having jurisdiction for an order directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution which petition shall remain undismissed or unstayed for an aggregate of ninety (90) days;

(k) an order of a court having jurisdiction shall be made directing the sale, disposition or distribution of all or substantially all of the property belonging to the Institution, which order shall remain undismissed or unstayed for an aggregate of thirty (30) days; or

(l) a final judgment for the payment of money which in the reasonable judgment of the Authority will adversely affect the rights of the Bondholders shall be rendered against the Institution and at any time after thirty (30) days from the entry thereof, (i) such judgment shall not have been discharged or (ii) the Institution shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and shall not have caused, within thirty (30) days, the execution of or levy under such judgment, order, decree or process for the enforcement thereof, to have been stayed pending determination of such appeal.

2. Upon the occurrence of an Event of Default the Authority shall provide the Department of Health written notice of such Event of Default upon its becoming aware thereof, provided however, that failure to give such notice shall in no way impair or dismiss the Authority ability to take any action hereunder. The Authority may take any one or more of the following actions upon the occurrence of an Event of Default:

(a) declare all sums payable by the Institution under the Loan Agreement immediately due and payable;

(b) direct the Trustee to withhold any and all payments, advances and reimbursements from the proceeds of the Bonds or the Construction Fund or otherwise to which the Institution may otherwise be entitled under the Loan Agreement and in the Authority's sole discretion apply any such proceeds or moneys for such purposes as are authorized by the Resolution;

(c) withhold any or all further performance under the Loan Agreement;

(d) maintain an action against the Institution under the Loan Agreement to recover any sums payable by the Institution or to require its compliance with the terms of the Loan Agreement or of any Mortgage;

(e) permit, direct or request the Trustee to liquidate all or any portion of the assets of the Special Debt Service Reserve Fund and the Capital Reserve Fund by selling the same at public or private sale in any commercially reasonable manner and apply the proceeds thereof and any dividends or interest received on investments thereof to the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds, or any other obligation or liability of the Institution or the Authority arising from the Loan Agreement, from the Series Resolution or from the Resolution;

(f) to the extent permitted by law, (i) enter upon any Project and complete the construction of such Project(s) in accordance with the plans and specifications with such changes therein as the Authority may deem appropriate and employ watchmen to protect such Project(s), all at the risk, cost and expense of the Institution, consent to such entry being given by the Institution under the Loan Agreement, (ii) at any time discontinue any work commenced in respect of the construction of any Project or change any course of action undertaken by the Institution and not be bound by any limitations or requirements of time whether set forth in the Loan Agreement or otherwise, (iii) assume any construction contract made by the Institution in any way relating to the construction of any Project and take over and use all or any part of the labor, materials, supplies and equipment contracted for by the Institution, whether or not previously incorporated into the construction of such Project, and (iv) in connection with the construction of a Project undertaken by the Authority pursuant to the provisions of this paragraph (f), (x) engage builders, contractors, architects, engineers and others for the purpose of furnishing labor, materials and equipment in connection with the construction of such Project, (y) pay, settle or compromise all bills or claims which may become liens against any Project or against any moneys of the Authority applicable to the construction of any Project, or which have been or may be incurred in any manner in connection with completing the construction of any Project or for the discharge of liens, encumbrances or defects in the title to any Project or against any moneys of the Authority applicable to the construction of any Project, and (z) take or refrain from taking such action under the Loan Agreement as the Authority may from time to time determine. The Institution shall be liable to the Authority for all sums paid or incurred for construction of any Project whether the same shall be paid or incurred pursuant to the provisions of this paragraph (f) or otherwise, and all payments made or liabilities incurred by the Authority under the Loan Agreement of any kind whatsoever shall be paid by the Institution to the Authority upon demand. The Institution under the Loan Agreement irrevocably constitutes and appoints the Authority its true and lawful attorney-in-fact to execute, acknowledge and deliver any instruments and to do and perform any acts in the name and on behalf of the Institution for the purpose of exercising the rights granted to the Authority by this subparagraph during the term of the Loan Agreement;

(g) take any action necessary to enable the Authority to realize on its liens under the Loan Agreement, under the Mortgage, or by law, including foreclosure of the Mortgage and any other action or proceeding permitted by the terms of the Loan Agreement, by the Mortgage or by law;

(h) realize upon any security interest in the fixtures, furnishings and equipment, including any one or more of the following actions: (i) enter the Mortgaged Property and take possession of any such fixtures, furnishings and equipment; or (ii) sell, lease or otherwise dispose of any such fixtures, furnishings and equipment either together with a sale, lease or other disposition of the Mortgaged Property pursuant to the Loan Agreement or to the Mortgage, or separately, whether or not possession has been secured; provided, however, that if sold, leased or otherwise disposed of separately, such sale, lease or other disposition shall be in a commercially reasonable manner and upon five (5) days' prior written notice to the Institution of the time and place of such sale; and

(i) subject to the provisions of the Public Health Law of the State of New York, require the Institution at its expense to retain a Hospital Consultant, to make recommendations with respect to such rates, fees and charges, management policies and other matters deemed necessary by the Authority. A copy of the Hospital Consultant's report and recommendations shall be filed with the Authority, the Commissioner of Health and the Institution, and the Institution shall follow the recommendations of the Hospital Consultant as required by the Authority and the Commissioner of Health.

3. All rights and remedies in the Loan Agreement given or granted to the Authority are, to the extent permitted by law, cumulative, non-exclusive and in addition to any and all rights and remedies that the Authority may have or may be given by reason of any law, statute, ordinance or otherwise, and no failure to exercise or delay in exercising any remedy shall effect a waiver of the Authority's right to exercise such remedy thereafter.

4. At any time before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of any Event of Default or before the completion of the enforcement of any other remedies under the Loan Agreement, the Authority may annul any declaration made pursuant to paragraph (a) of the remedies described in subdivision 2 above and its consequences if such Events of Default shall be cured. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereto.

(Section 28)

Arbitrage

Each of the Institution and the Authority covenants that it shall take no action, nor shall it approve the Trustee's taking any action or making any investment or use of the proceeds of Bonds or other moneys, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and any proposed or final regulations thereunder as are applicable to the Bonds at the time of such action, investment or use. Neither the Institution nor any "related person" (as such term is defined in Section 147(a)(2) of the Code) shall purchase any Bonds other than for delivery to and cancellation by the Trustee, unless the Trustee shall receive an opinion of Bond Counsel to the effect that the purchase by the Institution or by a related person of such Bonds will not cause interest on the Bonds to be included in the gross income of the owners of the Bonds for purposes of federal income taxation.

The Institution covenants that it will not take any action or fail to take any action which would cause any representation or warranty of the Institution contained in the Tax Certificate then to be untrue and shall comply with all covenants and agreements of the Institution contained in the Tax Certificate, unless, in the opinion of Bond Counsel, taking or failing to take such action or failing to comply with its obligations under a Tax Certificate would not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

In the event that the Authority is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Institution. In the event that the

Institution is notified in writing that the Bonds or any transaction pertaining thereto is the subject of any Internal Revenue Service or Securities and Exchange Commission investigation, suit or order, it shall promptly give notice thereof to the Authority. Upon the occurrence of such an event, the Institution and the Authority shall fully cooperate with one another and participate in all aspects of the conduct of the response thereto.

(Section 34)

Rebate Calculation

The Authority shall retain in its possession, so long as required by the Code, copies of all documents, reports and computations made by it in connection with the calculation of Excess Earnings and the rebate of all or a portion thereof to the Department of the Treasury of the United States of America, which shall be subject at all reasonable times to the inspection of the Institution and its agents and representatives, any of whom may make copies thereof. Upon written request from the Institution the Authority shall as soon as practicable provide the Institution with a copy of such documents, reports and computations.

(Section 35)

Amendments to Loan Agreement

This Loan Agreement may be amended only in accordance with Section 7.11 of the Resolution and each amendment shall be made by an instrument in writing signed by an Authorized Officer of the Institution and the Authority, an executed counterpart of which shall be filed with the Trustee; provided, however, that no amendment or waiver of any provisions of the Loan Agreement may be made without the prior written consent of the Commissioner of Health.

(Section 44)

Termination

The Loan Agreement shall remain in full force and effect until no Bonds are Outstanding and until all other payments, expenses and fees payable under the Loan Agreement by the Institution shall have been made or provision made for the payment thereof; provided, however, that the liabilities and the obligations of the Institution under subdivision 1(j) of "Financial Obligations of the Institution; General and Unconditional Obligation; Voluntary Payments" herein, and to provide reimbursement for or indemnification against expenses, costs or liabilities made or incurred pursuant to Sections 22, 24, 27 and 40 of the Loan Agreement shall nevertheless survive any such termination. Upon such termination, the Authority shall promptly deliver such documents as may be reasonably requested by the Institution to evidence such termination and the discharge of the Institution's duties under the Loan Agreement, including the satisfaction of the Mortgage and the release or surrender of any security interests granted by the Institution to the Authority pursuant to the Loan Agreement.

(Section 46)

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INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX D

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 D 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 D 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 D is dated June 11, 2014. It was updated on November 24, 2014. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. 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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UPDATE TO ANNUAL INFORMATION STATEMENT (AIS)
STATE OF NEW YORK

November 24, 2014

This is the second quarterly update (the "AIS Update") to the Annual Information Statement of the State of New York (the "AIS"), dated June 11, 2014. The first quarterly update was issued on September 4, 2014. This AIS Update contains information only through November 24, 2014 and should be read in its entirety, together with the AIS. The State expects to issue the next AIS Update in February 2015, following the release of the Governor's Executive Budget Financial Plan for FY 2016.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the Financial Plan for FY 2015[1] (the "Updated Financial Plan"), issued by the Division of the Budget ("DOB"). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of operating results for the first six months of FY 2015 and updates to the State's official Financial Plan projections for FY 2015 through FY 2018. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2015 Enacted Budget Financial Plan reflected with the AIS. Note that the Updated Financial Plan does not reflect the November 2014 consent order between the State Department of Financial Services ("DFS") and Bank of Tokyo Mitsubishi UFJ, Ltd. ("BTMU") or the recent consent order between DFS and American International Group, Inc. ("AIG") dated October 31, 2014.

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

3. A summary of the Generally Accepted Accounting Principles ("GAAP")-basis results for the prior three fiscal years (reprinted as a convenience from the First Quarterly Update to the AIS released in September 2014).

4. Updated information regarding the State Retirement Systems.

5. Updated information on certain public authorities and localities of the State.

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

7. Financial plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2014 and projected receipts and disbursements for fiscal years 2015 through 2018 on a General Fund, State Operating Funds and All Governmental Funds basis.

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[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2015 ("FY 2015") is the fiscal year that began on April 1, 2014 and will end on March 31, 2015.

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

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

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

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

On July 29, 2014, OSC issued the Basic Financial Statements for FY 2014 (ended March 31, 2014). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2014 can also be accessed through EMMA at www.emma.msrb.org.

USAGE NOTICE

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

This AIS Update is available in electronic form on the DOB website (www.budget.ny.gov). Such availability does not imply that there have been no changes in the financial position of the State at any time subsequent to the posting of this information. Maintenance of this AIS Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS Update nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS Update, 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 Update if so misused.

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BUDGETARY AND ACCOUNTING PRACTICES

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

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

The General Fund is the sole financing source for the School Tax Relief ("STAR") fund, and is typically the financing source of last resort for the State's other major funds which include the Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund ("DHBTF"), 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 projects funds and Federal funds is excluded). As more financial activity occurred in funds outside of the General Fund, State Operating Funds became, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (i.e., 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 Health Care Reform Act 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* GAAP financial plan for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. However, GAAP is a financial reporting regime, not a budgeting system.

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

OVERVIEW OF THE UPDATED FINANCIAL PLAN

Except for the specific revisions described herein, the projections (and the assumptions upon which they are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2015 Enacted Budget Financial Plan described in the AIS.

SUMMARY

In the Updated Financial Plan, DOB estimates that the State will end FY 2015 with a sizeable General Fund cash-basis surplus due to a series of unbudgeted financial settlements reached with several banks and insurance companies during FY 2015. DOB expects that a formal plan for use of the projected financial settlement monies, consistent with adherence to the 2 percent spending benchmark, will be proposed no later than the submission to the Legislature of the FY 2016 Executive Budget. Aside from the financial settlements, DOB has revised the State's projected pension contributions beginning in FY 2016 based on updated information, primarily the use of a new Mortality Improvement Scale (known as "MP-2014") by the New York State and Local Retirement Systems' Actuary. Compared to the prior year actuarial assumptions, the MP-2014 reflects longer life expectancies for pension beneficiaries and, as a result, increased pension plan liabilities.

General Fund receipts, including transfers from other funds, are now expected to total $67.8 billion in FY 2015, an increase of $4.8 billion from the Enacted Budget Financial Plan reflected in the AIS. The upward revision is due entirely to the financial settlements reached with Bank of America, Standard Chartered, and PricewaterhouseCoopers (PwC). Additional settlement receipts in the current fiscal year are possible.

General Fund disbursements, including transfers to other funds, are expected to total $63.2 billion in the current fiscal year, an increase of $29 million from the Enacted Budget Financial Plan reflected in the AIS. The upward revisions reflect an increase in the share of Medicaid funded by the General Fund instead of HCRA, costs for enhanced efforts to control heroin trafficking and use, and a number of modest reestimates. The Updated Financial Plan reflects the continuation of spending controls and cost containment measures. Funding for agency operations is generally expected to remain level across the Financial Plan period. For planning purposes, the Updated Financial Plan does not currently include any prepayments in FY 2015 beyond the $350 million identified in the AIS, or any costs from potential Federal disallowances.

DOB expects the State to end FY 2015 with a General Fund closing balance of $6.8 billion, an increase of $4.8 billion from the Enacted Budget Financial Plan. The estimated closing balance includes a sizeable cash-basis surplus due to the unbudgeted financial settlements reached with several banks and insurance companies earlier in the year. The Executive is developing options for using the surplus prudently.

Operating results through September 30, 2014 were favorable in comparison to the estimates in the Enacted Budget Financial Plan. General Fund receipts, including transfers from other funds, totaled $35.4 billion through September 2014, $4.4 billion above the Enacted Budget forecast, due to higher tax collections ($1.1 billion) and higher miscellaneous receipts ($3.3 billion).

The $1.1 billion in higher-than-expected General Fund tax collections through September 2014 include higher personal income tax receipts ($337 million) due to stronger than anticipated estimated payments and the timing of current year refund payments; consumption/use taxes ($185 million) due to cigar tax refund timing and stronger than expected taxable purchases; and business tax collections ($589 million) related to bank tax audits and lower corporate franchise tax refunds. The higher-than-expected tax collections through September 2014 are timing-related, and not expected to change total annual tax collections in FY 2015.

The higher-than-expected General Fund miscellaneous receipts through September 2014 compared to the Enacted Budget include the unanticipated settlement payments of $2.2 billion from BNP Paribas, S.A. New York Branch ("BNPP") for violation of banking laws concerning interactions with countries and entities subject to international sanctions (the balance of the settlement payments is expected by the end of FY 2015); $715 million from Credit Suisse AG for violation of banking laws, specifically for allowing U.S. clients to conceal their offshore assets from the IRS and New York authorities; $300 million from Standard Chartered Bank for operating with certain ineffective compliance risk management systems in violation of a 2012 consent order with DFS; $92 million from Citigroup as part of a Federal settlement resulting from an investigation into the bank's mortgage securities practice preceding the 2008 financial crisis; and $25 million from PwC pursuant to a 2014 settlement agreement to resolve a DFS investigation into certain consulting services performed by PwC in 2007 and 2008.

General Fund disbursements, including transfers to other funds, totaled $29.6 billion through September 2014, approximately $415 million above the Enacted Budget forecast, due mainly to higher General State Charges (GSCs) spending. The higher GSCs spending reflects the payment of the State's entire remaining pension contribution (net of amortization) for FY 2015 ($615 million) in September 2014 to avoid interest expense. This cash flow impact was partly offset by higher reimbursements ($112 million) from non-General Fund accounts, due to the timing, for the payment of fringe benefit bills. After adjusting for these variances, along with spending variations in local assistance and transfers that DOB believes are timing-related, disbursements to date appear to be generally consistent with the Enacted Budget forecast.

MULTI-YEAR FINANCIAL PLAN REVISIONS

The following table summarizes the revisions to the Enacted Budget Financial Plan that affect General Fund operating projections. The Updated Financial Plan projections assume the State adheres to the 2 percent spending benchmark in future years, as shown in the table below. Descriptions of the changes follow the table.

SUMMARY OF REVISIONS TO ENACTED BUDGET FINANCIAL PLAN GENERAL FUND BUDGETARY BASIS OF ACCOUNTING BENEFIT/(COST) (millions of dollars)				
	FY 2015	**FY 2016**	**FY 2017**	**FY 2018**
ENACTED BUDGET SURPLUS/(GAPS) [1]	-	303	1,105	1,478
RECEIPTS REVISIONS	**4,188**	**(5)**	**(5)**	**(5)**
Financial Settlements	**4,193**	**0**	**0**	**0**
BNP Paribas	**3,591**	**0**	**0**	**0**
Department of Financial Services (DFS)	2,243	0	0	0
Asset Forfeiture (Manhattan DA)	1,348	0	0	0
Other DFS Settlements	**785**	**0**	**0**	**0**
Credit Suisse AG	715	0	0	0
Metropolitan Life Insurance Company	50	0	0	0
AXA Equitable Life Insurance Company	20	0	0	0
Citigroup (State Share)	**92**	0	0	0
Settlements Budgeted in FY 2015 Financial Plan	**(275)**	**0**	**0**	**0**
Other Receipts	**(5)**	**(5)**	**(5)**	**(5)**
Tribal State Compact	(7)	(7)	(7)	(7)
Other	2	2	2	2
DISBURSEMENTS REVISIONS	**(29)**	**(55)**	**(29)**	**(40)**
HCRA Surcharge Audit	(17)	(42)	(17)	(25)
Statewide Heroin Initiative	(7)	(11)	(11)	(11)
All Other	(5)	(2)	(1)	(4)
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAPS)	4,159	243	1,071	1,433
RECEIPTS REVISIONS	**625**	**0**	**0**	**0**
Bank of America	300	0	0	0
Standard Chartered Bank	300	0	0	0
PricewaterCoopers	25	0	0	0
DISBURSEMENTS REVISIONS	**0**	**40**	**(259)**	**(552)**
Higher Pension Contribution Rates	0	(355)	(511)	(682)
Amortization of Pension Costs	0	395	252	130
DEPOSIT TO UNDESIGNATED RESERVE	**(4,784)**	**0**	**0**	**0**
ADHERENCE to 2% SOF SPENDING BENCHMARK	**0**	**(40)**	**259**	**552**
MID YEAR UPDATE BUDGET SURPLUS/(GAPS)	-	243	1,071	1,433
Net Change from Enacted	*0*	*(60)*	*(34)*	*(45)*

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2015 estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

RECEIPTS REVISIONS

- **Financial Settlements:** The State currently expects to receive a total of approximately $5.1 billion in FY 2015 from financial settlements reached by DFS, Department of Law, and Manhattan District Attorney's Office. To date, the State has received approximately $3.7 billion of the $5.1 billion expected under the settlements. The Enacted Budget Financial Plan assumed $275 million in receipts from financial settlements in FY 2015. The Updated Financial Plan continues to assume settlements of $250 million in FY 2016, and $100 million in both FY 2017 and FY 2018, unchanged from the AIS. Note that the Updated Financial Plan does not reflect the recent consent order between DFS and BTMU dated November 18, 2014 or the recent consent order between DFS and AIG dated October 31, 2014.

  The settlements consist of the following:

  - **BNP Paribas, S.A. New York Branch ("BNPP")** will pay 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 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.. To date, the State has received approximately $2.24 billion; the remaining payments are expected to be received by the State by the end of FY 2015.

  - **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 stemming 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.

  - **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 coducting an insurance business in New York without a New York license.

  - **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.

  - **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.

- **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 Bank of America 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 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.

- **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 BTMU in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.

▪ **Other Receipts:** During the first quarter of the fiscal year, DOB also revised its estimate of payments the State expects to receive under the Tribal State Compact. DOB also made minor adjustments to receipts across tax categories that have no net Financial Plan impact.

DISBURSEMENT REVISIONS

- **HCRA Surcharge Audit:** A correction of HCRA surcharge overpayments made to the State, primarily for exempt Medicare-eligible services, is anticipated to reduce surcharge revenue and increase General Fund Medicaid costs by $17 million in FY 2015. Future surcharge payments will be made under the corrected methodology, with an increased Financial Plan impact of $42 million expected during FY 2016 due to the timing and scope of the audit.

- **Statewide Combating Heroin Initiative:** Funding has been added to the Financial Plan to support a statewide initiative to combat the rise of heroin use. The initiative includes the addition of 100 investigators to the State Police Community Narcotics Enforcement Team (CNET), in order to combat heroin trafficking. Additionally, the State will make supplies of naloxone, an overdose antidote, available to all first responder units in the State.

- **Higher Pension Contribution Rates:** Estimated State and Judiciary pension contributions for FY 2016 have been increased by $355 million to account for the 2016 normal pension contribution rates released by OSC on September 2, 2014, which were substantially higher than the rates anticipated by DOB (18.2 percent vs. 14.2 percent for the Employees' Retirement System (ERS), and 24.7 percent vs. 20.8 percent for the Police and Fire Retirement System (PFRS)). DOB had based its projected pension contribution rates on prior year actuarial assumptions of the New York State and Local Retirement Systems' Actuary. The higher than anticipated FY 2016 rates are primarily attributable to the actuarial use of the new MP-2014 Mortality Improvement Scale ("MP-2014") by the State Retirement Systems' Actuary. Compared to the prior year actuarial assumptions, the MP-2014 reflects longer life expectancies for pension beneficiaries, and as a result, increased pension plan liabilities.

- **Amortization of Pension Costs:** The DOB-projected pension contribution rates for FY 2016 reflected in the Enacted Budget Financial Plan did not exceed the statutorily set thresholds (the “graded rate”), and thus amortization would not have been permitted in FY 2016. However, given the higher-than-anticipated 2016 contribution rates released by OSC since the AIS, pension amortization is allowable in FY 2016 and beyond. For planning purposes, at this time, DOB expects to amortize in FY 2016 ($395 million) and subsequent years. This cost will be repaid, with interest, over a ten-year period. A final decision on amortization will be made as part of the FY 2016 Executive Budget.

- **Other:** This category principally reflects technical revisions between agencies or Financial Plan reclassifications in limited areas such as Office of General Services (OGS), Department of Environmental Conservation, Children and Family Services and the Mental Hygiene agencies.

CLOSING BALANCE

DOB estimates that the State will end FY 2015 with a General Fund cash balance of $6.8 billion, an increase of $4.8 billion from the Enacted Budget Financial Plan estimate. At this time, the $4.8 billion in settlement resources is being held as an undesignated fund balance in the General Fund. The Executive is developing options for using the settlement resources prudently. DOB expects that a formal plan for use of the financial settlement moneys, consistent with adherence to the 2 percent spending benchmark, will be proposed by no later than the FY 2016 Executive Budget.

The estimated year-end balances for statutory reserves and designated purposes in the General Fund remain unchanged from the Enacted Budget Financial Plan. These include $1.48 billion in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve; $500 million designated for debt management purposes; $53 million to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for contract periods prior to April 2011; and $21 million in the Contingency Reserve.

ANNUAL SPENDING GROWTH

DOB estimates that spending in State Operating Funds will grow at 1.8 percent in FY 2015, consistent with the 2 percent spending benchmark adopted by the current Administration in FY 2012. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 1.5 percent from FY 2014, excluding extraordinary Federal aid related to Superstorm Sandy[2] and the implementation of the Affordable Care Act (ACA).

TOTAL DISBURSEMENTS (millions of dollars)

	FY 2014 Results	FY 2015 Updated	Annual Change	Annual % Change
STATE OPERATING FUNDS	**90,631**	**92,244**	**1,613**	**1.8%**
General Fund (excluding other transfers)	52,148	54,935	2,787	5.3%
Other State Funds	32,046	31,618	(428)	-1.3%
Debt Service Funds	6,437	5,691	(746)	-11.6%
ALL GOVERNMENTAL FUNDS	**135,874**	**137,910**	**2,036**	**1.5%**
State Operating Funds	90,631	92,244	1,613	1.8%
Capital Projects Funds	7,751	8,465	714	9.2%
Federal Operating Funds	37,492	37,201	(291)	-0.8%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY FEDERAL AID)	**137,526**	**141,974**	**4,448**	**3.2%**
Federal Disaster Aid for Superstorm Sandy	1,247	1,497	250	20.0%
Federal Affordable Care Act	405	2,567	2,162	533.8%
GENERAL FUND (INCLUDING TRANSFERS)	**61,243**	**63,171**	**1,928**	**3.1%**
STATE FUNDS	**96,355**	**99,005**	**2,650**	**2.8%**

[2] In October 2012, Superstorm Sandy caused widespread flooding, power failures, and wind damage to public and private property in New York City, Long Island, and other downstate areas. Public infrastructure, including mass transit systems, public schools, and municipal buildings, sustained serious damage. The Financial Plan reflects Federal aid which will flow to local governments, public authorities, and not-for-profits over the next several years to continue the State's recovery from Superstorm Sandy. (See "Other Matters Affecting the Financial Plan — Federal Issues" herein.)

The following table illustrates the major sources of annual change in State spending by major program, purpose, and fund perspective.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**59,402**	**61,178**	**1,776**	**3.0%**
School Aid (State Fiscal Year Basis) [1]	20,420	21,671	1,251	6.1%
DOH Medicaid (Incl Operational Costs) [2]	16,382	16,962	580	3.5%
Transportation	4,719	4,817	98	2.1%
Mental Hygiene	2,777	2,925	148	5.3%
STAR	3,357	3,429	72	2.1%
Social Services	3,101	2,777	(324)	-10.4%
Higher Education	2,817	2,916	99	3.5%
Public Health/Aging	2,179	1,868	(311)	-14.3%
Special/Other Education	2,003	2,146	143	7.1%
Local Government Assistance	756	779	23	3.0%
All Other[3]	891	888	(3)	-0.3%
STATE OPERATIONS/FRINGE BENEFITS	**24,822**	**25,418**	**596**	**2.4%**
State Operations	**17,864**	**18,208**	**344**	**1.9%**
Personal Service:	12,300	12,600	300	2.4%
Executive Agencies	6,989	7,141	152	2.2%
University Systems	3,478	3,586	108	3.1%
Elected Officials	1,833	1,873	40	2.2%
Non-Personal Service:	5,564	5,608	44	0.8%
Executive Agencies	2,753	2,791	38	1.4%
University System	2,298	2,235	(63)	-2.7%
Elected Officials	513	582	69	13.5%
Fringe Benefits/Fixed Costs	**6,958**	**7,210**	**252**	**3.6%**
Pension Contribution	2,086	2,136	50	2.4%
Health Insurance	3,253	3,359	106	3.3%
Other Fringe Benefits/Fixed Costs	1,619	1,715	96	5.9%
DEBT SERVICE	**6,400**	**5,648**	**(752)**	**-11.8%**
CAPITAL PROJECTS	**7**	**0**	**(7)**	**-100.0%**
TOTAL STATE OPERATING FUNDS	**90,631**	**92,244**	**1,613**	**1.8%**
Capital Projects (State Funds)	**5,724**	**6,761**	**1,037**	**18.1%**
TOTAL STATE FUNDS	**96,355**	**99,005**	**2,650**	**2.8%**
Federal Aid (Including Capital Grants) [4]	**39,519**	**38,905**	**(614)**	**-1.6%**
TOTAL ALL GOVERNMENTAL FUNDS [5]	**135,874**	**137,910**	**2,036**	**1.5%**

1 School Aid growth on a school year basis is $1.1 billion or 5.3% and does not include aid for Statewide Universal Full-Day Pre-Kindergarten programs.

2 Department of Health Medicaid spending only (excludes other State agency spending and transfers). For display purposes, includes Medicaid operational spending that supports contracts related to the management of Medicaid and the costs of administrative takeover from local governments.

3 "All Other" includes an adjustment for Medicaid operational costs to avoid distorting Financial Plan category totals, as well as local aid spending in a number of other programs, including education, parks and the environment, economic development, and public safety.

4, 5 All Funds and Federal Operating Funds receipts and disbursements exclude Federal disaster aid for Superstorm Sandy (estimated at $1.2 billion in FY 2014 and $1.5 billion in FY 2015), and additional Federal aid under the Affordable Care Act (estimated at approximately $400 million in FY 2014 and $2.6 billion in FY 2015). Including disbursements for these purposes, All Funds disbursements are expected to total $142 billion in FY 2015, an increase of 3.2 percent.

MID-YEAR OPERATING RESULTS (APRIL - SEPTEMBER 2014)

GENERAL FUND RESULTS

This section provides a summary of operating results for April 2014 through September 2014 compared to (1) the projections set forth in the FY 2015 Enacted Budget reflected with the AIS; (2) the revised projections of the First Quarterly Update to the Financial Plan; and (3) the operating results through September 2013.

The State ended the month of September 2014 with a General Fund closing balance of $8.1 billion, $4.0 billion higher than projected in the FY 2015 Enacted Budget Financial Plan. The larger than expected balance is mainly due to higher receipts.

GENERAL FUND OPERATING RESULTS
THROUGH SEPTEMBER 2014
(millions of dollars)

				Above/(Below) Variance	
	Enacted Plan	**Revised Plan**	**Results**	**Enacted Plan**	**Revised Plan**
Opening Balance	**2,235**	**2,235**	**2,235**	**0**	**0**
Total Receipts	**30,989**	**34,422**	**35,384**	**4,395**	**962**
Taxes:	28,635	29,136	29,723	1,088	587
Personal Income Tax [1]	*19,341*	*19,304*	*19,678*	*337*	*374*
User Taxes and Fees [1]	*6,148*	*6,248*	*6,333*	*185*	*85*
Business Taxes	*2,135*	*2,576*	*2,724*	*589*	*148*
Other Taxes [1]	*1,011*	*1,008*	*988*	*(23)*	*(20)*
Receipts and Grants	1,968	4,934	*5,330*	3,362	396
Transfers From Other Funds	386	352	*331*	(55)	(21)
Total Spending	**29,152**	**29,118**	**29,567**	**415**	**449**
Education	7,868	8,154	*8,370*	502	216
Health Care	6,356	6,319	*6,177*	(179)	(142)
Social Services	1,315	1,261	*1,219*	(96)	(42)
Higher Education	1,326	1,291	*1,281*	(45)	(10)
All Other Local Assistance	1,505	1,573	*1,370*	(135)	(203)
Personal Service	2,904	2,932	*2,925*	21	(7)
Non-Personal Service	795	782	*808*	13	26
General State Charges	3,018	2,838	*3,490*	472	652
Debt Service Transfer	369	367	*367*	(2)	(0)
Capital Projects Transfer	246	424	*206*	(40)	(218)
State Share Medicaid Transfer	923	658	*754*	(169)	96
SUNY Operations Transfer	818	818	*817*	(1)	(1)
All Other Transfers	1,709	1,701	*1,783*	74	82
Change in Operations	**1,837**	**5,304**	**5,817**	**3,980**	**513**
Closing Balance	**4,072**	**7,539**	**8,053**	**3,981**	**514**

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

Through September 2014, General Fund receipts, including transfers from other funds, totaled $35.4 billion, $4.4 billion higher than the FY 2015 Enacted Budget Financial Plan projection, reflecting higher tax collections ($1.1 billion) and higher non-tax receipts ($3.3 billion).

The $1.1 billion in higher General Fund tax collections includes higher personal income tax receipts ($337 million) due to stronger than anticipated estimated payments and the timing of current year refund payments; consumption/use taxes ($185 million) due to cigar tax refund timing and stronger than expected taxable purchases; and business tax collections ($589 million) related to bank tax audits and lower corporate franchise tax refunds. The higher-than-expected tax collections through September 2014 are timing-related, and not expected to change total annual tax collections in FY 2015.

The increase in non-tax receipts received to date is primarily attributable to unanticipated settlement payments from financial institutions for the violation of banking laws, including:

- BNP Paribas, S.A. New York Branch ("BNPP") for its interaction with countries and entities subject to international sanctions;
- Credit Suisse AG for allowing U.S. clients to conceal their offshore assets from the IRS and New York authorities;
- Standard Chartered Bank for operating with certain ineffective compliance risk management systems in violation of a 2012 consent order with DFS;
- Citigroup as part of a Federal settlement resulting from an investigation into the bank's mortgage securities practice preceding the 2008 financial crisis; and
- PricewaterhouseCoopers pursuant to a 2014 settlement agreement to resolve a DFS investigation into certain consulting services performed by PwC in 2007 and 2008.

Through September 2014, General Fund disbursements, including transfers to other funds, totaled $29.6 billion, $415 million higher than the FY 2015 Enacted Budget Financial Plan projection, due mainly to higher GSC spending due to the payment of the State's FY 2015 pension contribution sooner than expected.

Total local assistance spending varied slightly from initial projections. Education spending significantly exceeded planned levels through September 2014 ($502 million), but was almost entirely offset by lower than expected spending through September 2014 in nearly all other local functional areas. Increased education spending included payments for special education ($238 million) and prekindergarten ($171 million) programs that were made earlier in this fiscal year than planned and will not affect annual spending levels. The most significant causes of lower spending include the delayed Federal approval of the Medicaid Managed Care rate package previously scheduled for the second quarter of the fiscal year ($221 million); the timing of child welfare settlements payments; and lower disaster assistance spending due to claims processing delays.

Agency Operations spending is generally consistent with planned estimates. Higher GSC spending reflects DOB's decision to avoid interest expense by paying the State's entire FY 2015 pension bill (net of amortization) in September 2014 ($615 million), rather than in regular installments through the year. This was partly offset by higher reimbursements from non-General Fund accounts, due to timing, for the payment of fringe benefit bills ($112 million).

General Fund transfers were lower than initial projections primarily due to lower State-share Medicaid transfers to mental hygiene facilities ($169 million) based on retroactive Federal rate adjustments which reduced payments to these facilities. These Federal adjustments were assumed in the annual funding estimate, but were expected to occur later in the year.

STATE OPERATING FUNDS RESULTS

The State ended September 2014 with a closing balance of $10.5 billion in State Operating Funds, or $4.0 billion above the FY 2015 Enacted Budget Financial Plan estimate. This reflects the combined impact of higher total receipts ($4.4 billion), higher spending ($260 million), and lower financing from other sources ($191 million).

STATE OPERATING FUNDS RESULTS THROUGH SEPTEMBER 2014 (millions of dollars)					
				Above/(Below) Variance	
	Enacted Plan	Revised Plan	Results	Enacted Plan	Revised Plan
Opening Balance	**4,789**	**4,789**	**4,789**	**0**	**0**
Total Receipts	**42,620**	**46,185**	**47,051**	**4,431**	**866**
Taxes:	32,391	32,891	33,494	1,103	603
Personal Income Tax	*20,584*	*20,514*	*20,886*	*302*	*372*
User Taxes and Fees	*7,363*	*7,444*	*7,530*	*167*	*86*
Business Taxes	*2,820*	*3,320*	*3,482*	*662*	*162*
Other Taxes	*1,624*	*1,613*	*1,596*	*(28)*	*(17)*
Miscellaneous/Federal Receipts	*10,229*	*13,294*	*13,557*	3,328	263
Total Spending	**42,424**	**42,410**	**42,684**	**260**	**274**
Education	10,237	10,523	*10,737*	500	214
Health Care	9,345	9,311	*9,045*	(300)	(266)
Social Services	1,315	1,262	*1,220*	(95)	(42)
Transportation	2,322	2,318	2,293	(29)	(25)
Higher Education	1,326	1,291	1,281	(45)	(10)
All Other Local Assistance	3,077	3,193	2,944	(133)	(249)
Personal Service	6,297	6,286	6,291	(6)	5
Non-Personal Service	2,662	2,554	*2,525*	(137)	(29)
General State Charges	3,910	3,762	4,439	529	677
Debt Service	1,933	1,910	1,908	(25)	(2)
Capital Projects	-	-	1	1	1
Other Financing Sources	**1,561**	**1,076**	**1,370**	**(191)**	**294**
Change in Operations	**1,757**	**4,851**	**5,737**	**3,980**	**886**
Closing Balance	**6,546**	**9,640**	**10,526**	**3,980**	**886**

Through September 2014, total receipts in State Operating Funds were $4.4 billion higher than the FY 2015 Enacted Budget Financial Plan projections, due to higher tax collections ($1.1 billion) and higher miscellaneous receipts ($3.3 billion).

Consistent with the General Fund results, the State Operating Funds receipts variance is attributable to higher personal income tax, consumption/use tax, and business tax receipts (including $74 million in the dedicated transit funds); and higher non-tax receipts from the settlement payments from financial institutions.

State Operating Funds spending was $260 million higher than Enacted Budget Financial Plan projections due to the combined impact of lower spending in local assistance and higher spending for GSCs due to the payment of the State's pension contribution.

In addition to the local assistance variances in the General Fund described earlier, the Provider Assessment Fund had less revenue to offset General Fund spending due to a temporary extension granted to certain providers for the filing of their assessment collection authorization.

The higher spending for GSCs reflects the full pension payment in September 2014, as described above. This higher cost is slightly mitigated by lower non-personal service costs across several funds, including SUNY ($44 million), the Mental Hygiene Program Fund ($30 million), Lottery ($13 million), Stem Cell Trust Fund ($9 million); and the Workers Compensation Board ($8 million).

Other financing sources, which represent the difference between transfers to and from State Operating Funds, were $191 million lower than initial estimates primarily due to the retroactive Federal rate adjustments which reduced reimbursements to mental hygiene facilities.

ALL GOVERNMENTAL FUNDS RESULTS

The State ended September 2014 with an All Governmental Funds closing balance of $9.2 billion, $3.9 billion above the Enacted Budget Financial Plan projection, reflecting both higher than projected receipts ($4.4 billion) and spending ($538 million).

All GOVERNMENTAL FUNDS RESULTS THROUGH SEPTEMBER 2014 (millions of dollars)				Above/(Below) Variance	
	Enacted Plan	Revised Plan	Results	Enacted Plan	Revised Plan
Opening Balance	**4,035**	**4,035**	**4,035**	**0**	**0**
Total Receipts	**67,663**	**71,230**	**72,074**	**4,411**	**844**
Taxes:	33,086	33,593	34,203	1,118	610
Personal Income Tax	*20,584*	*20,514*	*20,886*	*302*	*372*
User Taxes and Fees	*7,671*	*7,759*	*7,846*	*175*	*87*
Business Taxes	*3,159*	*3,659*	*3,827*	*668*	*168*
Other Taxes	*1,672*	*1,661*	*1,644*	*(28)*	*(17)*
Miscellaneous Receipts	12,165	14,842	*15,134*	2,969	292
Federal Grants	22,412	22,795	*22,737*	325	(58)
Total Spending	**66,260**	**66,608**	**66,798**	**538**	**190**
State Operating Funds:	42,424	42,410	42,684	260	274
Education	10,237	10,523	*10,737*	*500*	*214*
Health Care	9,345	9,311	*9,045*	*(300)*	*(266)*
Social Services	1,315	1,262	*1,220*	*(95)*	*(42)*
Transportation	2,322	2,318	*2,293*	*(29)*	*(25)*
Higher Education	1,326	1,291	*1,281*	*(45)*	*(10)*
All Other Local Assistance	3,077	3,193	*2,944*	*(133)*	*(249)*
Personal Service	6,297	6,286	*6,291*	*(6)*	*5*
Non-Personal Service	2,662	2,554	*2,525*	*(137)*	*(29)*
General State Charges	3,910	3,762	*4,439*	*529*	*677*
Debt Service	1,933	1,910	*1,908*	*(25)*	*(2)*
Capital Projects	0	0	*1*	*1*	*1*
Capital Projects Funds	3,565	3,394	*3,275*	(290)	(119)
Federal Operating Funds	20,271	20,804	*20,839*	568	35
Other Financing Sources	**(83)**	**(90)**	**(96)**	**(13)**	**(6)**
Change in Operations	**1,320**	**4,532**	**5,180**	**3,860**	**648**
Closing Balance	**5,355**	**8,567**	**9,215**	**3,860**	**648**

Through September 2014, total All Funds receipts were $4.4 billion higher than Enacted Budget projections due to increases in taxes ($1.1 billion), miscellaneous receipts ($3.0 billion), and Federal grants ($325 million).

As noted earlier, the higher tax receipts reflect stronger than anticipated personal income tax ($302 million), consumption/use tax ($175 million), and business tax ($668 million) receipts; and the higher miscellaneous receipts reflects the financial institution settlement payments. In addition, Federal grants were $325 million higher due to higher spending in areas such as health care and public assistance. These additional receipts are offset by lower than planned miscellaneous receipts for capital projects ($449 million) primarily due to lower than anticipated reimbursements from Authority bond proceeds.

All Funds spending was $538 million above Enacted Budget projections. In addition to the State Operating Funds and Capital Projects Funds spending variances described earlier, spending variances on an All Governmental Fund basis are attributable to factors associated with Federal operating funds.

Federal operating funds spending through September 2014 was $568 million above the initial projection. The total spending variance was driven primarily by higher Flexible Fund for Family Services and public assistance benefit costs ($301 million) as FY 2015 payments were made earlier than originally projected; and higher health care costs ($179 million), as disproportionate share payments were disbursed earlier in the year than initially projected.

ALL GOVERNMENTAL FUNDS ANNUAL CHANGE

The All Governmental Funds balance through September 2014 was $9.2 billion, $1.4 billion higher than the same period of the prior year. The higher balance in the current year is attributable to a higher opening balance ($159 million) and higher receipts ($4.0 billion), offset by higher spending ($2.7 billion).

All GOVERNMENTAL FUNDS RESULTS, FY 2014 vs. FY 2015 APRIL THROUGH SEPTEMBER (millions of dollars)				
			Increase/(Decrease)	
	FY 2014	FY 2015	$	%
Opening Balance	**3,876**	**4,035**	**159**	
Total Receipts	**68,056**	**72,074**	**4,018**	**5.9%**
Taxes:	34,419	34,203	(216)	-0.6%
Personal Income Tax	*21,576*	*20,886*	*(690)*	*-3.2%*
User Taxes and Fees	*7,691*	*7,846*	*155*	*2.0%*
Business Taxes	*3,586*	*3,827*	*241*	*6.7%*
Other Taxes	*1,566*	*1,644*	*78*	*5.0%*
Miscellaneous Receipts	*11,793*	15,134	3,341	28.3%
Federal Grants	*21,844*	22,737	893	4.1%
Total Spending	**64,087**	**66,798**	**2,711**	**4.2%**
State Operating Funds:	40,643	42,684	2,041	5.0%
Education	*9,409*	*10,737*	*1,328*	*14.1%*
Health Care	*9,001*	*9,045*	*44*	*0.5%*
Social Services	*1,420*	*1,220*	*(200)*	*-14.1%*
Transportation	*2,321*	*2,293*	*(28)*	*-1.2%*
Higher Education	*1,261*	*1,281*	*20*	*1.6%*
All Other Local Assistance	*3,020*	*2,944*	*(76)*	*-2.5%*
Personal Service	*6,242*	*6,291*	*49*	*0.8%*
Non-Personal Service	*2,590*	*2,525*	*(65)*	*-2.5%*
General State Charges	*3,288*	*4,439*	*1,151*	*35.0%*
Debt Service	*2,086*	*1,908*	*(178)*	*-8.5%*
Capital Projects	*5*	*1*	*(4)*	*-82.9%*
Capital Projects Funds	*3,882*	3,275	(607)	-15.6%
Federal Operating Funds	*19,562*	20,839	1,277	6.5%
Other Financing Sources	**(30)**	**(96)**	**(66)**	
Change in Operations	**3,939**	**5,180**	**1,241**	
Closing Balance	**7,815**	**9,215**	**1,400**	

The $215 million annual decrease in All Funds tax receipts through September 2014 reflects lower personal income tax collections ($690 million) due to a decline in extension payments that were bolstered in the prior fiscal year by the acceleration of income into tax year 2012 ahead of rising Federal tax rates in 2013. This decrease in PIT is partly offset by a $155 million increase in consumption/use taxes due to an increase in taxable purchases and a $241 million increase in business taxes due to higher corporate franchise tax refunds and higher bank tax audits in FY 2015.

The $3.3 billion growth in miscellaneous receipts is mainly attributable to a $3.2 billion increase in the financial settlements paid to the State and a $750 million increase in the amount of the State Insurance Fund assessment reserves transferred to the State pursuant to legislation included in the FY 2014 Enacted Budget. This increase in receipts is offset by a $181 million decrease in miscellaneous receipts for SUNY hospitals and $338 million in lower receipts from the Tribal State Compact Revenue (TSCR) account. The decline in SUNY hospital receipts is mainly related to the timing of monthly accounting adjustments for Medicaid disproportionate share payments, whereby these receipts are reclassified as transfers. This transaction occurred in October 2013 and in September 2014, which affects this year's six-month operating results. The decline in TSCR receipts reflects a lump sum receipt in August 2013 to the State from the St. Regis Mohawk tribal government and the Seneca Indian Nation, following separate agreements with these two tribal nations which settled a wide range of issues concerning tribal gaming activity in the State.

The $893 million increase in Federal grants is a result of increased Federal program spending, as described in greater detail below.

Through September 2014, All Funds spending increased by $2.7 billion over the prior year period, encompassing a $2.0 billion increase in State Operating Funds; a $1.3 billion increase in Federal Operating Funds; and a $607 million decrease in Capital Projects Funds.

The increase in State Operating Funds spending mainly reflects Enacted Budget increases in School Aid and other education spending ($1.3 billion); and increased GSCs spending ($1.2 billion) as a result of earlier pension payments by both the State and the Judiciary. These additional costs are offset by lower spending in social services ($200 million) due to the timing of child welfare payments; and lower debt service payments attributable to FY 2014 prepayments.

The increase in Federal Operating Funds spending is primarily attributable to higher Medicaid costs ($2.0 billion) as a result of expanded Medicaid coverage under the ACA; partly offset by lower spending for disaster assistance costs associated with Superstorm Sandy and other recent storm recovery programs ($199 million), lower spending for education ($310 million) as a prior lag in payments substantially increased payments in the first quarter of FY 2014; and lower TANF-funded child care and Flexible Fund for Family Services spending ($250 million) due to the timing of FY 2015 payments.

The decrease in Capital Projects spending is largely due to FY 2014 Superstorm Sandy related spending by DEC ($180 million), reduced contractual spending at SUNY ($161 million), an Empire State Development-issued grant for SUNY-Nanotech that has not yet been disbursed ($100 million), and a one-time FY 2014 payment to the MTA ($63 million).

OTHER MATTERS AFFECTING THE STATE FINANCIAL PLAN

GENERAL

The Updated Financial Plan is subject to many complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. In certain fiscal years, actual receipts collections have fallen substantially below the levels forecasted in the Updated 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 that result from the 2 percent limit will be made available to the General Fund.

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impact of: national and international events, ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; 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 Updated Financial Plan is subject to various other uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these specific issues are described in more detail herein. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

BUDGET RISKS AND UNCERTAINTIES

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; or other measures. In some cases, the ability of the State to implement such actions requires the approval of the Legislature and cannot be implemented solely by the action of the Governor.

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

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in the Department of Health (DOH) State Funds Medicaid spending to the levels estimated in the Updated 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 Updated Financial Plan, including payments pursuant to the Tribal-State Compact that had failed to materialize in prior years, but which were received in the FY 2014 as part of an agreement between the State and certain tribal nations; and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year or future years.

FEDERAL ISSUES

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

MEDICAID REDESIGN TEAM MEDICAID WAIVER

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

FEDERAL REIMBURSEMENT FOR STATE DEVELOPMENTAL DISABILITY SERVICES

Pursuant to an agreement with the Federal government, the State lowered Medicaid developmental disability center payment rates effective April 1, 2013. Full implementation of this change reduced Federal funding to the State by approximately $1.1 billion annually, beginning in FY 2014. The plan to achieve those savings is subject to implementation risks and is dependent, in part, on final approval by the Federal government of claiming protocols for Designated State Health Program (DSHP) expenditures valued at $250 million annually. DOH formally submitted the State's first round of DSHP claims to CMS, which is currently pending official review. In addition, as described below, the CMS is also seeking to retroactively recover Federal funds paid to the State under the former methodology.

AUDIT DISALLOWANCE

In addition to the rate reduction described above, on February 8, 2013, the U.S. Department of Health & Human Services (HHS) Office of the Inspector General, at the direction of the CMS, began a Financial Management Review to determine the allowability of Medicaid costs for services provided in prior years to the Medicaid population in New York State-Operated Intermediate Care Facilities for the Developmentally Disabled (ICF/DD). The initial review period included claims for services provided from April 1, 2010 through March 31, 2011.

As a result of this review, CMS issued a disallowance notification in the amount of $1.26 billion on July 25, 2014. In the cover letter accompanying that disallowance notification, CMS also indicated it will be initiating a similar review of the two subsequent fiscal years (for State fiscal years ending in March 2012 and March 2013). A comparable amount of Federal aid may be disallowed for any prior period if CMS is successful.

The State had requested reconsideration of the proposed $1.26 billion disallowance by sending a letter to the Secretary of HHS, stating the reasons for reconsideration. On November 21, 2014, the State received notification from HHS that the State's request for reconsideration was denied. The State has 60 days to file a notice of appeal with the Departmental Appeals Board (DAB) with HHS. The State can retain the disallowed funds during the pendency of the reconsideration and DAB review process, although if the State is unsuccessful during these administrative processes, the disallowed amount plus interest will be due. There is no additional spending reflected in the Updated Financial Plan to address the CMS disallowance.

The State currently plans to pursue the DAB appeals process. If this is not successful, the State can pursue action in Federal court to challenge the disallowance.

The State is not aware of any similar attempts by the Federal government to retroactively recover Federal aid of this magnitude that was paid pursuant to an approved plan. However, there can be no assurance that final Federal action on this matter, and for subsequent years, will not result in materially adverse changes to the Financial Plan.

BUDGET CONTROL ACT

The Federal Budget Control Act (“BCA”) of 2011 imposed annual caps on Federal discretionary spending over a ten-year period and mandated an additional $1.2 trillion in deficit reduction to be achieved through either legislation or further cap reductions. No legislative agreement on an additional $1.2 trillion in deficit reduction was reached, resulting in a sequestration order in March 2013 and further decreases in the discretionary spending caps beginning in FFY 2014. However, the Bipartisan Budget Act (BBA) of 2013 revised the spending caps imposed by the BCA and cancelled the secondary cap reductions for FFY 2014 and FFY 2015, which provided minor discretionary cap relief for those two years. The BBA did not address the caps in the remaining years, and under current law, the secondary cap reductions are set to return for FFY 2016. Specific funding levels are expected to be determined through the annual Congressional budget process if the lowered spending caps remain in place. Under that scenario, DOB estimates that New York State and its local governments could lose approximately $5 billion in Federal funding over a multi-year period, including reductions in Federal funding that passes through the State budget for school districts, as well as environmental, criminal justice and social services programs.

DEBT CEILING

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

The State has settled collective bargaining agreements with 96 percent of the State workforce for the contract period commencing in FY 2012. Five-year agreements were reached with the Civil Service Employees Association (CSEA), the United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, and most recently, DC-37 (Housing). Four-year agreements were reached with the Public Employees Federation (PEF) and the Police Benevolent Association of New York State (PBANYS).

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

Two lump sum payments — $775 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

State University of New York (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.

Most recently, the Graduate Student Employees Union (GSEU) agreed to settle with the State, for the period July 2, 2009 to July 1, 2016. Members who have been on the payroll since October 1, 2009 and October 1, 2010 will receive one-time retroactive general salary increases of 2 percent and 3 percent, respectively. Additionally, a $500 lump sum will be provided to members hired in academic year 2011-12 and still on payroll. Eligible members will also receive a 2 percent general salary increase in both academic years 2014-15 and 2015-16.

Finally, the unions representing State Police Troopers, Investigators and Commissioned/Non-Commissioned Officers continue to have unsettled contracts for the current contract period. The Updated Financial Plan does not include a General Fund reserve for this purpose.

CURRENT CASH-FLOW PROJECTIONS

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

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

ALL FUNDS MONTH-END CASH BALANCES
FY 2015
(millions of dollars)

	General Fund	Other Funds	All Funds
April (Results)	5,533	2,043	7,576
May (Results)	4,548	2,566	7,114
June (Results)	5,131	2,608	7,739
July (Results)	6,998	2,851	9,849
August (Results)	6,889	2,779	9,668
September (Results)	8,053	1,162	9,215
October (Projected)	7,473	1,538	9,011
November (Projected)	5,889	1,854	7,743
December (Projected)	7,728	1,080	8,808
January (Projected)	9,637	2,576	12,213
February (Projected)	10,741	2,750	13,491
March (Projected)	6,839	1,875	8,714

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

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

For amounts amortized in FY 2011 through FY 2014, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, and 3.67 percent, respectively. The Financial Plan assumes that both the State and OCA will also elect to amortize pension costs in FY 2015 and beyond, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB 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.

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

Fiscal Year (FY)	ERS Average Normal Rate*	ERS Amortization Rate	PFRS Average Normal Rate*	PFRS Amortization Rate
FY 2011	11.5	9.5	18.1	17.5
FY 2012	15.9	10.5	21.5	18.5
FY 2013	18.5	11.5	25.7	19.5
FY 2014	20.5	12.5	28.8	20.5
FY 2015	19.7	13.5	27.5	21.5

*GLIP 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 scheduled to take place in 2015, which could also change these projections materially.

The FY 2016 pension contribution rates 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 MP-2014 actuarial assumptions, which compared to prior year actuarial assumptions, reflect longer life expectancies for pension beneficiaries and result in increased pension plan liabilities.

Based on the use of MP-2014 and the unknown findings of the next five-year experience study, the Updated Financial Plan continues to assume amortization in FY 2016 and the outyears, as depicted in the following table.

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
AMORTIZATION THRESHOLDS (Grade Rate)								
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5
STATEWIDE PENSION (NET COST)	**1,470**	**1,697**	**1,601**	**2,086**	**2,136**	**2,261**	**2,449**	**2,643**
Gross Pension Costs	1,633	2,141	2,192	2,744	2,475	2,245	2,311	2,383
Amortization Savings / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(395)	(299)	(212)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	374	411	437	472

The next table reflects projected pension contributions and amortizations for the State and the Judiciary through 2028. The "Normal Costs" column shows the amount of the State's pension contribution prior to amortization. The "(Amortized) / Excess Contributions" column shows new amounts deferred offset, in some cases, by payments made ahead of schedule. The "New Amortization Costs" column provides the aggregate cost of amortization in a given fiscal year (principal and interest on all prior deferrals). The "Total" column provides the State's pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1] (millions of dollars)				
Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	New Amortization Costs	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
Projections:				
2015	2,344.0	(713.1)	305.8	1,936.7
2016	2,066.5	(395.1)	390.0	2,061.4
2017	2,112.3	(299.0)	436.7	2,250.0
2018	2,183.9	(212.4)	472.0	2,443.5
2019	2,298.1	(122.1)	497.1	2,673.1
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

Source: NYS DOB.

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

[2] Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2017.

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, are enrolled in the New York State Health Insurance Program (NYSHIP), or are enrolled in the NYSHIP opt-out program at the time they have reached retirement, and have at least ten years of eligible service for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a 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 $3.0 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 ($1.0 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 funding is assumed for this purpose in the Updated 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 Updated Financial Plan to fund the actuarial required contribution for OPEB. If the State began making the actuarial required contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

The State is currently examining 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.

FINANCIAL SETTLEMENTS

The State periodically receives proceeds from financial settlements that are primarily deposited to the General Fund. Based on receipts to date and other information, the Updated Financial Plan includes projections for an additional $625 million in proceeds, bringing the annual financial settlement estimate to $5.1 billion in FY 2015. This consists of $3.6 billion from BNPP, $715 million from Credit Suisse AG, $300 million from Bank of America, $300 million from Standard Chartered, $50 million from MetLife Parties, $25 million from PricewaterhouseCoopers, $20 million from AXA Equitable and $92 million from Citigroup (State share). The Updated Financial Plan assumes settlements in the upcoming fiscal years of approximately $250 million in FY 2016, and $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 Updated Financial Plan.

J.P. Morgan Securities LLC Settlement

Pursuant to a litigation settlement reached in November 2013 by J.P. Morgan Securities LLC, Bear Stearns and Washington Mutual, involving their packaging, marketing, sale, structuring, arrangements and issuance of mortgage-backed securities, J.P. Morgan agreed to an overall $13 billion settlement package with the United States, other Federal entities, and several states, including New York. The package included a $613 million settlement payment to the State and approximately $400 million for consumer relief for New York homeowners.

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

LITIGATION

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

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 presents economic and financial risks to the State. State claims for reimbursement for the costs of the immediate response are in process, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. It is anticipated that New York State, the Metropolitan Transportation Authority, 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 is expected to cause long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure, including mass transit systems, power transmission and distribution systems, and other critical lifelines, to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, and municipalities is expected to be needed to adapt existing infrastructure to the risks posed by climate change.

FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

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

BOND MARKET

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

CAPITAL COMMITMENT PLAN

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

DEBT REFORM ACT LIMIT

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only and limits such debt to a maximum term of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001 and was fully phased in at 4 percent of personal income during FY 2011, while the cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001 and was fully phased in at 5 percent during FY 2014.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in the Updated Financial Plan. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year are below the caps at such time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service caps are met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For FY 2014, the cumulative debt outstanding and debt service caps are 4.00 and 5.00 percent, respectively. As shown in the following tables, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2014 the State issued new debt resulting in $39.2 billion of debt outstanding applicable to the debt reform cap. This is approximately$3.6 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $3.8 billion in FY 2014, or approximately $3.0 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP (millions of dollars)		
	Dollar	Percent
Personal Income (CY 2013)[1]	1,070,236	
Max. Allowable Debt Outstanding	42,809	4.00%
Debt Outstanding Subject to Cap	39,182	3.66%
Remaining Capacity	3,627	0.34%

[1] BEA

DEBT SERVICE CAP (millions of dollars)		
	Dollar	Percent
All Funds Receipts (FY 2014)	137,713	
Max. Allowable Debt Service	6,886	5.00%
Debt Service Subject to Cap	3,848	2.79%
Remaining Capacity	3,038	2.21%

DOB expects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $3.6 billion in FY 2014 to $438 million in FY 2017. This includes the estimated impact of the bond-financed portion of the capital commitment levels included in the 10-year capital planning projections. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2014	1,070,236	4.00%	42,809	39,182	3,627	3.66%	0.34%	13,277	52,460
FY 2015	1,116,132	4.00%	44,645	41,841	2,804	3.75%	0.25%	11,756	53,597
FY 2016	1,168,700	4.00%	46,748	46,109	639	3.95%	0.05%	10,276	56,385
FY 2017	1,231,318	4.00%	49,253	48,815	438	3.96%	0.04%	8,842	57,657
FY 2018	1,295,207	4.00%	51,808	50,643	1,165	3.91%	0.09%	7,351	57,995
FY 2019	1,359,808	4.00%	54,392	52,842	1,550	3.89%	0.11%	6,128	58,970

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2014	137,713	5.00%	6,886	3,848	3,038	2.79%	2.21%	2,540	6,388
FY 2015	146,428	5.00%	7,321	4,062	3,260	2.77%	2.23%	1,555	5,617
FY 2016	145,869	5.00%	7,293	4,381	2,912	3.00%	2.00%	1,498	5,879
FY 2017	150,408	5.00%	7,520	4,900	2,620	3.26%	1.74%	1,753	6,653
FY 2018	153,864	5.00%	7,693	5,296	2,398	3.44%	1.56%	1,698	6,993
FY 2019	157,648	5.00%	7,882	5,654	2,228	3.59%	1.41%	1,552	7,206

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (which include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2014, there were approximately $351 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the four remaining hospitals in the program, 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. The State also expects to pay debt service costs of $24 million in FY 2015, approximately $29 million in both FY 2016 and FY 2017, and approximately $17 million in FY 2018. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for 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, and a third hospital that is now closed. The State has estimated additional exposure of up to $31 million annually, if all hospitals in the program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY DOWNSTATE HOSPITAL AND LONG ISLAND COLLEGE HOSPITAL

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of Long Island College Hospital (LICH) to a New York State not-for-profit corporation ("Holdings"), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY 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 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 from 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 the settlement, SUNY, together with Holdings, issued a new RFP seeking a qualified party to provide or arrange to provide healthcare services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with FPG Cobble Hill Acquisitions, LLC, an affiliate of Fortis Property Group, LLC (also party to the agreement) which proposes to purchase the LICH property, and with NYU Hospitals Center who will provide both interim and long-term healthcare services. The agreement has been approved by the Office of Attorney General and the Office of the State Comptroller. The sale of all or substantially all 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.

FINANCIAL PLAN PROJECTIONS
FISCAL YEARS 2015 THROUGH 2018

INTRODUCTION

This section presents the State's updated multi-year Financial Plan and the projections for receipts and disbursements, reflecting the impact of the revisions to the Enacted Budget Financial Plan described in this AIS Update. This section includes FY 2014 results and projections for FY 2015 through FY 2018, with an emphasis on the FY 2015 projections.

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects 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 (excluding transfers) 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 Update. Accordingly, in terms of out-year projections, the first outyear of the FY 2015 budget, FY 2016, is the most relevant from a planning perspective.

SUMMARY

The Updated Financial Plan reflects the limitation of annual growth in State Operating Funds spending to 1.8 percent, consistent with the expectation of adherence with a 2 percent spending benchmark. In addition, DOB estimates that the State will end FY 2015 with a sizeable General Fund cash-basis surplus due to a series of unbudgeted financial settlements reached with several banks and insurance companies during the first half of the year. The Governor is developing options for using the surplus prudently. DOB expects that a formal plan for use of the financial settlement moneys, consistent with adherence to the 2 percent spending benchmark, will be proposed by no later than the submission of the FY 2016 Executive Budget.

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

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

GENERAL FUND PROJECTIONS (millions of dollars)	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
RECEIPTS					
Taxes (After Debt Service)	57,758	57,995	61,565	64,680	67,486
Miscellaneous Receipts/Federal Grants	3,219	8,335	2,980	2,790	2,215
Other Transfers	891	1,445	813	771	744
Total Receipts	**61,868**	**67,775**	**65,358**	**68,241**	**70,445**
DISBURSEMENTS					
Local Assistance Grants	39,940	42,002	44,780	47,004	49,606
School Aid	17,238	18,456	19,900	20,977	22,155
Medicaid	11,487	11,616	12,423	13,032	13,753
All Other	11,215	11,930	12,457	12,995	13,698
State Operations	7,309	7,857	8,008	7,968	8,039
Personal Service	5,563	5,895	5,998	5,964	5,986
Non-Personal Service	1,746	1,962	2,010	2,004	2,053
General State Charges	4,899	5,076	5,286	5,733	6,139
Transfers to Other Funds	9,095	8,236	9,087	10,100	10,686
Debt Service	1,972	1,081	1,058	1,457	1,509
Capital Projects	1,436	930	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,576	1,638	1,313	1,281	1,156
SUNY Operations	971	977	980	980	980
All Other	3,140	3,610	4,330	4,621	5,035
Total Disbursements	**61,243**	**63,171**	**67,161**	**70,805**	**74,470**
Adherence to 2% SOF Spending Benchmark [1]	**n/a**	**n/a**	**2,057**	**3,647**	**5,469**
Use (Reservation) of Fund Balance:	**(625)**	**(4,604)**	**(11)**	**(12)**	**(11)**
Rainy Day Reserve Fund	(175)	0	0	0	0
Community Projects Fund	6	87	0	0	0
Prior-Year Labor Agreements (2007-2011)	(11)	35	(11)	(12)	(11)
Debt Management	(387)	0	0	0	0
Undesignated Reserve	0	(4,784)	0	0	0
J.P. Morgan Settlement Proceeds	(58)	58	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**243**	**1,071**	**1,433**

[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 holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
RECEIPTS					
Taxes	68,335	68,816	72,825	76,435	79,622
Miscellaneous Receipts/Federal Grants	20,592	25,142	19,580	19,298	18,774
Total Receipts	**88,927**	**93,958**	**92,405**	**95,733**	**98,396**
DISBURSEMENTS					
Local Assistance Grants	59,402	61,178	64,138	66,346	69,239
School Aid	20,420	21,671	23,289	24,294	25,502
STAR	3,357	3,429	3,478	3,574	3,616
Other Education Aid	2,003	2,146	2,212	2,365	2,540
Higher Education	2,817	2,916	2,999	3,062	3,123
Medicaid (DOH)	16,241	16,732	17,523	18,282	19,051
Public Health/Aging	2,179	1,868	1,828	1,798	1,827
Mental Hygiene	2,777	2,925	3,063	3,078	3,555
Social Services	3,101	2,777	3,012	3,067	3,134
Transportation	4,719	4,817	4,865	4,936	5,014
Local Government Assistance	756	779	778	789	792
Public Protection	282	342	369	345	309
All Other	750	776	722	756	776
State Operations	17,864	18,208	18,622	18,617	18,696
Personal Service	12,300	12,600	12,845	12,822	12,869
Non-Personal Service	5,564	5,608	5,777	5,795	5,827
General State Charges	6,958	7,210	7,477	7,970	8,410
Pension Contribution	2,086	2,136	2,261	2,449	2,643
Health Insurance (Active Employees)	1,790	1,850	1,963	2,081	2,208
Health Insurance (Retired Employees)	1,463	1,509	1,601	1,698	1,801
All Other	1,619	1,715	1,652	1,742	1,758
Debt Service	6,400	5,648	5,908	6,682	7,011
Capital Projects	7	0	1	3	3
Total Disbursements	**90,631**	**92,244**	**96,146**	**99,618**	**103,359**
Net Other Financing Sources/(Uses)	2,134	2,756	1,944	1,549	1,263
Adherence to 2% SOF Spending Benchmark [1]	**n/a**	**n/a**	**2,057**	**3,647**	**5,469**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(430)	(4,470)	(17)	(240)	(336)
General Fund	(625)	(4,604)	(11)	(12)	(11)
Special Revenue Funds	50	134	25	(185)	(264)
Debt Service Funds	145	0	(31)	(43)	(61)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**243**	**1,071**	**1,433**

[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 do not reflet these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

ECONOMIC BACKDROP

THE U.S. ECONOMY

The U.S. Bureau of Economic Analysis (BEA) published its annual revision to real U.S. Gross Domestic Product (GDP) and its components at the end of July. It now appears that the national economy experienced slower growth in calendars years 2011 and 2012, but stronger growth in calendar year 2013. However, the harsh winter weather combined with the inventory overhang from the second half of last year resulted in a 2.1 percent contraction in the first quarter of calendar year 2014. The weak start to the year implies significantly weaker growth for 2014 than was reflected in the Enacted Budget forecast, despite a strong 4.6 percent rebound in the second quarter. As a result, DOB has revised its estimate of real U.S. GDP growth for 2014 from 2.5 percent to 2.2 percent.

The components that experienced the strongest growth in the second quarter also exhibited the largest declines during the first quarter, highlighting the depressing impact of the winter weather on growth. Real growth in residential investment swung from a decline of 5.3 percent in the first quarter to growth of 8.8 percent in the second, while real export growth moved from a decline of 9.2 percent to growth of 11.0 percent. Non-residential investment went from weak growth of 1.6 percent in the first quarter to much stronger growth of 9.7 percent in the second, while real growth in imports grew from 2.2 percent in the first quarter to 11.3 percent in the second. Finally, household spending growth more than doubled from 1.2 percent in the first quarter to 2.5 percent in the second. But even with real GDP growth well above 4 percent in the second quarter, average growth for the first half was only 1.2 percent, implying very little additional momentum heading into the second half of this year. DOB projects average growth of 3.0 percent for the second half of 2014.

Although the current outlook for the second half of the year implies solid domestic growth, the global outlook has deteriorated due to renewed weakness in Europe and Asia, augmented by geopolitical conflict. Those risks, together with the recent sharp real appreciation of the dollar, are likely to lead to weaker net exports and softer inflation over the near-term. The weaker global outlook and stronger dollar, combined with rising U.S. oil and gas production, is also contributing to declines in oil and gasoline prices, which are likely to reduce oil imports and support household spending. As a result, DOB projects household spending to rise from average growth of 2.4 percent for the second half of 2014 to about 3 percent for 2015. However, on balance, our overall outlook for 2015 and 2016 remains largely unchanged.

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

	2013 (Actual)	2014 (Forecast)	2015 (Forecast)
Real U.S. Gross Domestic Product	2.2	2.2	2.9
Consumer Price Index (CPI)	1.5	1.8	2.0
Personal Income	2.0	4.3	5.0
Nonagricultural Employment	1.7	1.8	2.0

Source: Moody's Analytics; DOB staff estimates.

Continued moderate labor market growth is also expected to support household spending going forward, but no significant acceleration in job gains is yet visible on the horizon. Indeed, private sector hiring stepped back from average monthly gains of 255,000 over the second quarter of this year, to 217,000 over the third. DOB's outlook for average monthly private job gains of approximately 220,000 for the rest of the year remains virtually unchanged from the Enacted Budget Forecast. The most recent data indicate that near-term job gains will be supported by improved growth in real private nonresidential investment. Average quarterly growth for the second half of this year has been revised up to 7.0 percent, with annual growth revised up to 6.2 percent for all of 2014. However, ongoing weakness and uncertainty in the global economy will likely constrain investment growth going forward. As a result, the outlook for 2015 is only marginally improved.

The housing market has rebounded after being hard hit by the extreme winter weather in 2013-2014. Housing starts exhibited monthly average growth of 4.7 percent over the three months ending in September 2014, improving from a 2.5 percent decline over the three months ending in March 2014 and another 1.1 percent decline over the three months ending in June 2014. However, the housing data continues to reflect the shift away from homeownership toward renting. Based on the first nine months of data, multi-family housing starts grew 21.7 percent, compared with only 2.8 percent growth in single-family starts. This shift appears to have affected the demand for home furnishings, which has lagged other categories of real durable goods and suggests that the housing market will provide less of a contribution to overall economic growth than in the past. Over the very near term, the recent decline in long-term Treasury rates could provide a temporary boost to the housing market. Real residential investment is now projected to grow a downwardly revised 2.8 percent for 2014, although average quarterly growth of about 10 percent is expected for the second half, aided by improving credit conditions and rising employment and incomes.

As expected, the Federal Reserve ended its quantitative easing program at the end of October 2014. Year-ago growth in both the headline and core CPI fell to 1.8 percent in the third quarter of 2014. Domestic oil prices have fallen to about $80 per barrel and are expected to remain soft for the foreseeable future. Therefore, DOB estimates consumer price inflation of 1.8 percent for 2014 and 2.0 percent for 2015. But given solid improvement in the labor market and the expected boost to growth from lower energy prices, DOB still expects the Federal Reserve to begin raising its short-term interest rate target during the second quarter of 2015, with the caveat that rising concern over disinflation in the U.S. and abroad represents a risk that could affect the central bank's decision.

Despite an extremely weak start to the year, DOB's outlook continues to call for a strengthening labor market and quarterly economic growth not far below 3 percent for 2015. This outlook is virtually unchanged from the Enacted Budget forecast, but significant risks remain. In today's highly interdependent global economy, it is difficult to foresee domestic growth substantially accelerating without vigorous stimulus from both export and single-family home demand; yet neither is anticipated over the near-term. Global economic growth continues to stall as regional conflicts flare, while U.S. households continue to favor apartment rentals over homeownership. Slower than anticipated global growth could result in slower export growth, which could in turn result in weaker corporate profits and investment, and thus fewer jobs. 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, particularly given the lack of experience upon which to draw.

THE NEW YORK STATE ECONOMY

Preliminary data indicate that New York State employment for the first half of this year was stronger than previously thought. The State's private sector labor market has continued to perform well, exhibiting robust growth in utility, transportation and warehousing, and tourism-related leisure and hospitality services. Real estate and construction activity also remain strong. After losing jobs for six consecutive quarters from the third quarter of 2012 to the end of 2013, the finance and insurance sector finally started to gain jobs at the beginning of this year. However, preliminary data suggest that government employment fell more than previously thought during the first half of this year, and is expected to continue to contract through the second half as well. Thus, the combined impacts of stronger private employment growth, weaker government employment growth, and financial market volatility leave our outlook for State employment and wage growth virtually unchanged from the Enacted Budget forecast.

The U.S. Bureau of Economic Analysis ("BEA") recently revised state personal income data going back to 2001, making the growth rates for recent years non-comparable to earlier forecasts. Growth for the 2013-14 State fiscal year was revised down significantly, while upward revisions to prior year data resulted in higher levels for both the 2013-14 actual and the 2014-15 estimate. With the taxpayer response to changes in 2013 Federal tax law still distorting wage growth on a calendar year basis, we continue to report selected New York economic indicators on a State fiscal year basis.

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

	FY 2014 (Actual)	FY 2015 (Forecast)	FY 2016 (Forecast)
Personal Income	2.1	4.0	4.8
Wages	4.2	4.6	4.7
Nonagricultural Employment	1.6	1.4	1.3

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

The performance of the State's private sector labor market 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. DOB continues to forecast single-digit growth in finance and insurance sector bonuses for the upcoming bonus season, but there are considerable upside and downside risks to that forecast. State labor market growth has held up well so far, but a weaker labor market than projected could result in lower wages, as well as lower household spending. Events over the past year have demonstrated how sensitive markets can be to shifting expectations surrounding Federal Reserve policy. As the central bank moves closer to its first rate hike, 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.

ALL FUNDS RECEIPTS PROJECTIONS

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

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

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

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for certain debt service on revenue bonds).

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
Personal Income Tax	42,961	43,735	1.8%	46,829	7.1%	50,023	6.8%	52,461	4.9%
Consumption/Use Taxes	15,099	15,312	1.4%	15,856	3.6%	16,302	2.8%	16,789	3.0%
Business Taxes	8,259	7,712	-6.6%	7,979	3.5%	7,910	-0.9%	8,081	2.2%
Other Taxes	2,167	2,153	-0.6%	2,178	1.2%	2,142	-1.7%	2,162	0.9%
Payroll Tax	1,204	1,266	5.1%	1,332	5.2%	1,403	5.3%	1,478	5.3%
Total State Taxes	**69,690**	**70,178**	**0.7%**	**74,174**	**5.7%**	**77,780**	**4.9%**	**80,971**	**4.1%**
Miscellaneous Receipts	24,233	30,462	25.7%	25,162	-17.4%	24,347	-3.2%	23,143	-4.9%
Federal Receipts	43,789	45,789	4.6%	46,534	1.6%	48,283	3.8%	49,750	3.0%
Total All Fund Receipts	**137,712**	**146,429**	**6.3%**	**145,870**	**-0.4%**	**150,410**	**3.1%**	**153,864**	**2.3%**

Total All Funds receipts in FY 2015 are estimated at $146.4 billion, 6.3 percent above FY 2014 results. State tax receipts are expected to increase 0.7 percent in FY 2015. This modest increase is due to enacted tax cuts and the repayment of tax credits deferred in Tax Years 2010-2012. Miscellaneous receipts growth in FY 2015 is primarily due to newly identified one-time proceeds of approximately $5.1 billion from financial settlements with banks and insurers, which includes $3.6 billion from BNPP, $715 million from Credit Suisse AG, $300 million from Standard Chartered Bank, $300 million from Bank of America, $50 million from MetLife Parties, $25 million from PricewaterhouseCoopers, $20 million from AXA Equitable and $92 million from Citigroup (State share). In addition to the financial settlements, the FY 2015 General Fund total includes a deposit of $1 billion from the State Insurance Fund reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is an increase of $750 million from the amount of the reserve released in FY 2014. In other State funds, FY 2015 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, even though business taxes and other taxes are expected to decline in some or all years due to the tax cuts and repayment of credits deferred, as noted above.

After controlling for the impact of tax law changes, base tax revenue is projected to increase by 3.2 percent for FY 2015 and 5.1 percent for FY 2016.

PERSONAL INCOME TAX

PERSONAL INCOME TAX
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
STATE/ALL FUNDS	**42,961**	**43,735**	**1.8%**	**46,829**	**7.1%**	**50,023**	**6.8%**	**52,461**	**4.9%**
Gross Collections	51,575	52,094	1.0%	55,926	7.4%	59,478	6.4%	61,990	**4.2%**
Refunds (Incl. State/City Offset)	(8,614)	(8,359)	3.0%	(9,097)	-8.8%	(9,455)	-3.9%	(9,529)	-0.8%
GENERAL FUND[1]	**28,864**	**29,372**	**1.8%**	**31,643**	**7.7%**	**33,943**	**7.3%**	**35,730**	**5.3%**
Gross Collections	51,575	52,094	1.0%	55,926	7.4%	59,478	6.4%	61,990	4.2%
Refunds (Incl. State/City Offset)	(8,614)	(8,359)	3.0%	(9,097)	-8.8%	(9,455)	3.9%	(9,529)	-0.8%
STAR	(3,357)	(3,429)	-2.1%	(3,478)	-1.4%	(3,574)	2.8%	(3,616)	-1.2%
RBTF	(10,740)	(10,934)	-1.8%	(11,708)	-7.1%	(12,506)	6.8%	(13,115)	-4.9%

[1]Excludes Transfers.

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

Withholding in FY 2015 is projected to be $1.8 billion (5.3 percent) higher compared to FY 2014, due mainly to moderate wage growth. Extension payments are estimated to decline by $1.8 billion (34.9 percent) due to a combination of reduced capital gains realizations relative to Tax Year 2012 and taxpayer behavior not influenced by impending Federal law changes. The capital gains acceleration into Tax Year 2012 at the expense of Tax Year 2013 and thereafter, which was done in anticipation of the increase in Federal income tax rates between 2012 and 2013, served to create an inflated extension payments base. This income shifting was coupled with unusually high Tax Year 2012-related (FY 2014) extension overpayments, leading to a significant Tax Year 2013-related (FY 2015) extension payments decline. Estimated payments for Tax Year 2014 are projected to be $705 million (7.5 percent) higher. Final return payments and delinquencies are projected to be $229 million (9.6 percent) lower and $71 million (6 percent) higher, respectively.

The decline in total refunds of $255 million (3 percent) reflects a $328 million (15.8 percent) decrease in current (Tax Year 2014) refunds, a $560 million (10.4 percent) decrease in prior (Tax Year 2013) refunds, a $35 million decrease in previous (Tax Year 2012 and earlier) refunds, and a $117 million (19 percent) decline in the State-City offset, partially offset by $785 million in advanced payments for the Family Tax Relief credit and the newly enacted Real Property Tax Freeze credit.

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

The following table summarizes, by component, actual receipts for FY 2014 and forecast amounts through FY 2018.

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

	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Receipts					
Withholding	33,368	35,149	37,410	39,491	40,905
Estimated Payments	14,637	13,533	14,895	16,119	17,058
Current Year	*9,454*	*10,159*	*10,947*	*11,749*	*12,463*
*Prior Year**	*5,183*	*3,374*	*3,948*	*4,370*	*4,595*
Final Returns	2,395	2,166	2,328	2,530	2,636
Current Year	*2,145*	*1,924*	*2,074*	*2,265*	*2,359*
*Prior Year**	*250*	*242*	*254*	*265*	*277*
Delinquent	1,175	1,246	1,293	1,338	1,391
Gross Receipts	51,575	52,094	55,926	59,478	61,990
Refunds					
Prior Year*	5,367	4,807	5,578	6,377	6,792
Previous Years	554	519	538	538	539
Current Year*	2,078	1,750	1,750	1,750	1,750
Advanced Credit Payment	0	785	783	342	0
State/City Offset*	615	498	448	448	448
Total Refunds	8,614	8,359	9,097	9,455	9,529
Net Receipts	**42,961**	**43,735**	**46,829**	**50,023**	**52,461**

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

All Funds income tax receipts for FY 2016 of $46.8 billion are projected to increase $3.1 billion (7.1 percent) from the prior year. This primarily reflects increases of $2.3 billion (6.4 percent) in withholding, $788 million (7.8 percent) in estimated payments related to Tax Year 2015, and $574 million (17 percent) in extension payments related to Tax Year 2014, partially offset by a $738 million (8.8 percent) increase in total refunds. The growth in withholding is the result of projected wage growth of 4.7 percent. The strong growth in extension payments represents a rebound following a decline in FY 2015. The growth in total refunds is primarily attributable to growth in prior (Tax Year 2014) refunds, following a deflated FY 2015 base which would have been $328 million higher absent the increase in the administrative cap on refunds between January and March 2014. Payments from final returns are expected to increase $162 million (7.5 percent), while delinquencies are projected to increase $47 million (3.8 percent) from the prior year.

General Fund income tax receipts for FY 2016 of $31.6 billion are projected to increase by $2.3 billion (7.7 percent). RBTF deposits are projected to be $11.7 billion, and the STAR transfer is projected to be $3.5 billion.

All Funds income tax receipts of $50 billion in FY 2017 are projected to increase $3.2 billion (6.8 percent) from the prior year. Gross receipts are projected to increase 6.4 percent and reflect withholding that is projected to grow by $2.1 billion (5.6 percent) and estimated payments related to Tax Year 2016 that are projected to grow by $802 million (7.3 percent). Payments from extensions for Tax Year 2015 are projected to increase by $422 million (10.7 percent) and final returns are expected to increase $202 million (8.7 percent). Delinquencies are projected to increase $45 million (3.5 percent) from the prior year. Total refunds are projected to increase by $358 million (3.9 percent) from the prior year.

General Fund income tax receipts for FY 2017 of $33.9 billion are projected to increase by $2.3 billion (7.3 percent).

All Funds income tax receipts are projected to increase by $2.4 billion (4.9 percent) in FY 2018 to reach $52.5 billion, while General Fund receipts are projected to be $35.7 billion.

CONSUMPTION/USE TAXES

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
STATE/ALL FUNDS	**15,099**	**15,312**	**1.4%**	**15,856**	**3.6%**	**16,302**	**2.8%**	**16,789**	**3.0%**
Sales Tax	12,588	12,915	2.6%	13,448	4.1%	13,947	3.7%	14,474	3.8%
Cigarette and Tobacco Taxes	1,453	1,299	-10.6%	1,293	-0.5%	1,236	-4.4%	1,186	-4.0%
Motor Fuel Tax	473	487	3.0%	484	-0.6%	485	0.2%	481	-0.8%
Highway Use Tax	136	136	0.0%	145	6.6%	139	-4.1%	141	1.4%
Alcoholic Beverage Taxes	250	256	2.4%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	85	100	17.6%	101	1.0%	101	0.0%	101	0.0%
Auto Rental Tax	114	119	4.4%	124	4.2%	128	3.2%	135	5.5%
GENERAL FUND[1]	**6,561**	**6,626**	**1.0%**	**6,908**	**4.3%**	**7,132**	**3.2%**	**7,373**	**3.4%**
Sales Tax	5,885	6,041	2.7%	6,277	3.9%	6,510	3.7%	6,758	3.8%
Cigarette and Tobacco Taxes	426	329	-22.8%	370	12.5%	356	-3.8%	344	-3.4%
Alcoholic Beverage Taxes	250	256	2.4%	261	2.0%	266	1.9%	271	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2015 are estimated to be $15.3 billion, a $213 million (1.4 percent) increase from FY 2014 results. Sales tax receipts are expected to increase $327 million (2.6 percent) from FY 2014, resulting from 4.1 percent base (i.e., absent law changes) growth partially offset by law changes enacted with the FY 2015 and previous fiscal year budgets. Cigarette and tobacco tax collections are estimated to decline $154 million (10.6 percent), primarily reflecting greater than trend declines in cigarette consumption (particularly in NYC) and cigar tax refunds resulting from, in part, a non-binding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Motor fuel tax collections are expected to increase $14 million (3 percent), reflecting a rebound from a FY 2014 decline caused by severe winter weather.

General Fund consumption/use tax receipts for FY 2015 are estimated to total over $6.6 billion, an increase of $65 million (1 percent) from FY 2014. This increase largely reflects increased sales tax collections offset by greater than trend declines in cigarette collections and cigar tax refunds.

All Funds consumption/use tax receipts for FY 2016 are projected to be $15.9 billion, an increase of $544 million (3.6 percent) from the prior year. The $533 million (4.1 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent due to strong projected disposable income growth.

Highway use tax receipts are expected to increase $9 million (6.6 percent) as FY 2016 is a triennial renewal year.

General Fund consumption/use tax receipts are projected to total $6.9 billion in FY 2016, a $282 million (4.3 percent) increase from the prior year. The projected increase results from increases in sales, cigarette and tobacco, and alcoholic beverage tax receipts. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2015 base created by the cigar tax refunds mentioned earlier.

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

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

General Fund consumption/use tax receipts are projected to increase to $7.1 billion (3.2 percent) in FY 2017 and $7.4 billion (3.4 percent) in FY 2018, reflecting the All Funds trends noted above.

BUSINESS TAXES

BUSINESS TAXES
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Annual % Change	FY 2016 Projected	Annual % Change	FY 2017 Projected	Annual % Change	FY 2018 Projected	Annual % Change
STATE/ALL FUNDS	**8,259**	**7,712**	**-6.6%**	**7,979**	**3.5%**	**7,910**	**-0.9%**	**8,081**	**2.2%**
Corporate Franchise Tax	3,812	2,276	-40.3%	4,513	98.3%	4,237	-6.1%	4,422	4.4%
Corporation and Utilities Tax	798	790	-1.0%	780	-1.3%	800	2.6%	818	2.3%
Insurance Tax	1,444	1,534	6.2%	1,596	4.0%	1,572	-1.5%	1,553	-1.2%
Bank Tax	1,050	1,972	87.8%	(10)	-100.5%	203	2130.0%	190	-6.4%
Petroleum Business Tax	1,155	1,140	-1.3%	1,100	-3.5%	1,098	-0.2%	1,098	0.0%
GENERAL FUND	**6,046**	**5,491**	**-9.2%**	**5,728**	**4.3%**	**5,609**	**-2.1%**	**5,729**	**2.1%**
Corporate Franchise Tax	3,245	1,803	-44.4%	3,750	108.0%	3,435	-8.4%	3,578	4.2%
Corporation and Utilities Tax	615	604	-1.8%	590	-2.3%	604	2.4%	618	2.3%
Insurance Tax	1,298	1,375	5.9%	1,426	3.7%	1,397	-2.0%	1,371	-1.9%
Bank Tax	888	1,709	92.5%	(38)	-102.2%	173	555.3%	162	-6.4%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2015 are estimated at $7.7 billion, a $547 million (6.6 percent) decrease from prior year results. The estimate reflects a decline resulting from the first year of the Tax Year 2010-2012 tax credit deferral payback to taxpayers (an incremental refund increase of $273 million) and enacted tax reductions for manufacturers which are estimated to reduce All Funds receipts by $223 million. Growth in the bank and insurance taxes is offset by declines in the corporate franchise tax (for the reasons stated below), the corporation and utilities tax and the petroleum business tax.

Corporate franchise tax receipts are estimated to decrease $1.5 billion (40.3 percent) in FY 2015, reflecting the refund increment noted above ($273 million), and tax cuts for manufacturers enacted in the FY 2014 and FY 2015 budgets. The FY 2014 Enacted Budget phased-in a 25 percent tax cut on all four manufacturing tax bases beginning in Tax Year 2014. Additionally, the FY 2015 Enacted Budget reduced the entire net income tax rate to zero percent for qualified manufacturers effective for Tax Year 2014. The impact of these two actions is estimated to reduce FY 2015 receipts by a total of $223 million from FY 2014 receipts. In addition to these actions, audit receipts are expected to be $657 million (56.7 percent) lower. Additionally, refunds excluding the credit deferral payback are estimated to increase $228 million.

Corporation and utilities tax receipts are expected to decline $8 million (1 percent) in FY 2015. Both gross receipts and audits are expected to decline from the prior year. The telecommunications sector is expected to show no growth from the prior year as consumers continue to increase their use of smart phones and social networks to communicate. Based on industry information, data revenue per user exceeded voice revenue per user for the first time at the end of calendar year 2013. Data revenue is nontaxable due to a State exemption enacted in 1998. It is expected that this trend will continue into calendar year 2014. Utility revenue is expected to increase slightly from the prior year which partially offsets the loss of payments made under section 186 of the Tax Law due to the Long Island Power Authority (LIPA) restructuring that was enacted in the 2013 legislative session. Additionally, refunds are expected to be much lower in FY 2015 due to an atypically large refund that was paid in FY 2014.

Insurance tax receipts are expected to increase $90 million (6.2 percent) in FY 2015. Strength in premiums growth from authorized insurers as well as unauthorized (excess line brokers) insurers will be partially offset by the impact of the State's transition of the prescription drug, hospital and mental health portions of the Empire Plan to self-insurance on January 1, 2014. The medical portion of the Empire Plan was transitioned to self-insurance on January 1, 2013. This transition reduces insurance tax receipts since State and local governments no longer remit the insurance tax as part of premium payments. Additionally, audits are expected to be higher and refunds lower in FY 2015 than in FY 2014.

Bank tax receipts are estimated to increase $922 million (87.8 percent) in FY 2015. Gross receipts are expected to grow 27.4 percent in FY 2015 as liability year 2014 rebounds from a weak 2013. Additionally, audit receipts are expected to increase nearly $676 million based on receipts to date.

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

General Fund business tax receipts for FY 2015 of $5.5 billion are estimated to decrease $555 million (9.2 percent) from FY 2014 results, reflecting the All Funds trends discussed above.

The massive decline in bank tax receipts and the commensurate large increase in corporate franchise tax receipts beginning in FY 2016 are the result of the repeal of the bank tax and resultant imposition of the corporate franchise tax on former bank taxpayers effective for Tax Year 2015. All Funds business tax receipts for FY 2016 of $8 billion are projected to increase $267 million (3.5 percent) from the prior year. This year-over-year increase primarily reflects higher audits and lower refunds (the second year of the credit deferral payback to taxpayers is smaller than the amount estimated to be paid out in FY 2015). Additionally, gross receipts are expected to grow 2.3 percent. PBT receipts are expected to decrease $40 million (3.5 percent) in FY 2016, primarily due to the estimated 4 percent decrease in PBT tax rates effective January 1, 2015 noted above and expected declines in taxable motor fuel consumption due to declining vehicle miles traveled and increases in average vehicle fuel efficiency.

General Fund business tax receipts for FY 2016 of $5.7 billion are projected to increase $237 million (4.3 percent), reflecting the All Funds trends discussed above.

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

OTHER TAXES

OTHER TAXES
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
STATE/ALL FUNDS	**2,167**	**2,153**	**-0.6%**	**2,178**	**1.2%**	**2,142**	**-1.7%**	**2,162**	**0.9%**
Estate Tax	1,238	1,180	-4.7%	1,140	-3.4%	1,045	-8.3%	995	-4.8%
Real Estate Transfer Tax	911	955	4.8%	1,020	6.8%	1,079	5.8%	1,149	6.5%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
GENERAL FUND[1]	**1,256**	**1,198**	**-4.6%**	**1,158**	**-3.3%**	**1,063**	**-8.2%**	**1,013**	**-4.7%**
Estate Tax	1,238	1,180	-4.7%	1,140	-3.4%	1,045	-8.3%	995	-4.8%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2015 are estimated to be nearly $2.2 billion, a $14 million (0.6 percent) decrease from FY 2014 results. This reflects a $58 million (4.7 percent) decrease in estate tax receipts, partially offset by a $44 million (4.8 percent) increase in real estate transfer tax receipts. The estate tax decrease is primarily the result of FY 2015 Enacted Budget legislation that raises the exemption level from $1 million to $5.25 million over a four-year period and an expected return (i.e., reduction) in FY 2015 to a number of super-large estate payments (payments of over $25 million) consistent with long-term trends. The real estate transfer tax estimate reflects both an increase in the volume of transactions in NYC and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly $1.2 billion in FY 2015, a $58 million (4.6 percent) decrease from FY 2014 results, reflecting the estate tax change noted above.

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

MISCELLANEOUS RECEIPTS (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
ALL FUNDS	**24,233**	**30,462**	**25.7%**	**25,162**	**-17.4%**	**24,347**	**-3.2%**	**23,143**	**-4.9%**
General Fund	3,219	8,335	158.9%	2,980	-64.2%	2,790	-6.4%	2,215	-20.6%
Special Revenue Funds	16,776	16,459	-1.9%	16,279	-1.1%	16,216	-0.4%	16,272	0.3%
Capital Projects Funds	3,539	5,208	47.2%	5,470	5.0%	4,937	-9.7%	4,257	-13.8%
Debt Service Funds	699	460	-34.2%	433	-5.9%	404	-6.7%	399	-1.2%

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, financial settlements and a variety of fees and licenses.

All Funds miscellaneous receipts are projected to total $30.5 billion in FY 2015, an increase of 25.7 percent from prior year results. This increase is primarily due to newly identified one-time proceeds of approximately $5.1 billion from financial settlements with banks and insurers, which includes $3.6 billion from BNPP, $715 million from Credit Suisse AG, $300 million from Standard Chartered Bank, $300 million from Bank of America, $50 million from MetLife Parties, $25 million from PricewaterhouseCoopers, $20 million from AXA Equitable and $92 million from Citigroup (State share). In addition to the financial settlements, the FY 2015 General Fund total includes a deposit of $1 billion from the State Insurance Fund reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is an increase of $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, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to decrease annually beginning in FY 2016, mainly due to reduced transfers from the State Insurance Fund (SIF), the loss of one-time settlement revenues, the phase-out of the temporary utility assessment, and bond proceeds available to fund capital improvement projects.

FEDERAL GRANTS (millions of dollars)									
	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
ALL FUNDS	**43,789**	**45,789**	**4.6%**	**46,534**	**1.6%**	**48,283**	**3.8%**	**49,750**	**3.0%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	41,405	43,654	5.4%	44,776	2.6%	46,569	4.0%	48,005	3.1%
Capital Projects Funds	2,313	2,062	-10.9%	1,685	-18.3%	1,641	-2.6%	1,672	1.9%
Debt Service Funds	71	73	2.8%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are expected to increase in FY 2015, which is mainly driven by enhanced Federal Medicaid funding associated with the ACA. Federal grants are expected to grow to $49.8 billion by FY 2018, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of costs associated with Federal disaster assistance aid.

DISBURSEMENTS

Total disbursements in FY 2015 are estimated at $63.2 billion in the State's General Fund and at $92.2 billion in total State Operating Funds. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates. Medicaid, education, pension costs, employee and retiree health benefits, and debt service are significant drivers of annual spending growth.

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

LOCAL ASSISTANCE GRANTS

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

[1] Reflects preliminary unaudited results.

EDUCATION

SCHOOL AID

School Aid helps support elementary and secondary education for New York pupils enrolled in 674 major school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement of categorical expenses such as bilingual education and education of homeless children. 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) BASIS

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

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

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

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

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

	SY 2014	SY 2015	Change	SY 2016	Change	SY 2017	Change	SY 2018	Change
Total	**21,109**	**22,237**	**1,128**	**23,101**	**864**	**24,183**	**1,082**	**25,388**	**1,205**
			5.3%		3.9%		4.7%		5.0%

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

STATE FISCAL YEAR BASIS

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

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

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

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

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

OTHER EDUCATION AID

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

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

OTHER EDUCATION
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,003**	**2,146**	**7.1%**	**2,212**	**3.1%**	**2,365**	**6.9%**	**2,540**	**7.4%**
Special Education	1,408	1,496	6.3%	1,593	6.5%	1,724	8.2%	1,841	6.8%
All Other Education	595	650	9.2%	619	-4.8%	641	3.6%	699	9.0%

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

SCHOOL TAX RELIEF (STAR) PROGRAM

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

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

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

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

HIGHER EDUCATION

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

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

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

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

Annual growth by CUNY across the multi-year Financial Plan reflects the net impact of additional base operating support at community colleges and fringe benefit cost increases at Senior colleges. Growth in HESC reflects the implementation of a new scholarship for Science, Technology, Engineering and Mathematics as well as a $165 per student increase to the maximum TAP award. SUNY local assistance reflects the net impact of additional base operating aid and enrollment changes 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 New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but many programs are supported through multi-agency efforts.

MEDICAID

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care, the Family Health Plus (FHP)[3] program and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

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

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Department of Health [1]	16,382	16,962	17,740	18,511	19,280
Local Assistance	16,241	16,732	17,523	18,282	19,051
State Operations [2]	141	230	217	229	229
Other State Agencies	4,986	4,955	5,232	5,193	5,602
Mental Hygiene	4,842	4,855	5,127	5,085	5,490
Foster Care	88	88	92	95	99
Corrections	0	12	13	13	13
Education	56	0	0	0	0
Total State Share (All Agencies)	**21,368**	**21,917**	**22,972**	**23,704**	**24,882**
Annual $ Change		549	1,055	732	1,178
Annual % Change		2.6%	4.8%	3.2%	5.0%

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

[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.

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

DEPARTMENT OF HEALTH MEDICAID[1] (millions of dollars)	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
STATE OPERATING FUNDS	16,382	16,962	3.5%	17,740	4.6%	18,511	4.3%	19,280	4.2%
Total General Fund - Local	11,487	11,616	1.1%	12,423	6.9%	13,033	4.9%	13,753	5.5%
Department of Health	10,757	10,901	1.3%	11,708	7.4%	12,128	3.6%	13,065	7.7%
Mental Hygiene Stabilization Fund	730	445	-39.0%	267	-40.0%	267	0.0%	0	-100.0%
Financial Plan Relief	0	270	0.0%	448	65.9%	638	42.4%	688	7.8%
Total General Fund - State Operations	141	230	63.1%	217	-5.7%	229	5.5%	229	0.0%
Other State Funds Support	4,754	5,116	7.6%	5,100	-0.3%	5,249	2.9%	5,298	0.9%
HCRA Financing[2]	3,177	3,539	11.4%	3,523	-0.5%	3,672	4.2%	3,721	1.3%
Indigent Care Support	776	792	2.1%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	801	785	-2.0%	785	0.0%	785	0.0%	785	0.0%

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

2 FY 2015 HCRA financing includes $30 million for New York State of Health.

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

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

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

[1] The Federal-State Health Reform Partnership Program expired March 31, 2014.

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

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

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

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

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 Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) program for capital improvements to health care facilities (funding was completed during FY 2014). HCRA authorization has been extended through FY 2017, pursuant to legislation included in the 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. These resources are used to fund roughly 20 percent of the State Share of Medicaid, FHP, CHP, HEAL NY, EPIC, physician excess medical malpractice insurance, and Indigent Care payments, which provide funding to hospitals serving a disproportionate share of individuals without health insurance.

HCRA FINANCIAL PLAN FY 2014 THROUGH FY 2018
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
OPENING BALANCE	**18**	**9**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,320**	**5,490**	**5,604**	**5,667**	**5,658**
Surcharges	2,788	2,944	3,069	3,159	3,238
Covered Lives Assessment	1,039	1,085	1,110	1,110	1,045
Cigarette Tax Revenue	1,027	970	923	880	842
Hospital Assessments	368	400	416	433	449
NYC Cigarette Tax Transfer/Other	98	91	86	85	84
TOTAL DISBURSEMENTS	**5,329**	**5,499**	**5,604**	**5,667**	**5,658**
Medicaid Assistance Account	3,177	3,509	3,523	3,672	3,721
Medicaid Costs	*2,333*	*3,001*	*3,326*	*3,475*	*3,524*
Family Health Plus	*651*	*311*	*0*	*0*	*0*
Workforce Recruitment & Retention	*193*	*197*	*197*	*197*	*197*
Hospital Indigent Care	776	792	792	792	792
HCRA Program Account	433	467	467	467	467
Child Health Plus	406	425	383	323	337
Elderly Pharmaceutical Insurance Coverage	143	132	130	135	139
SHIN-NY/APCD	0	40	65	65	0
New York State of Health[1]	0	30	114	81	75
Public Health Programs	27	0	0	0	0
HEAL NY	266	0	0	0	0
All Other	101	104	130	132	127
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(9)**	**(9)**	**0**	**0**	**0**
CLOSING BALANCE	**9**	**0**	**0**	**0**	**0**

[1] FY 2015 spending will be financed from the Medical Assistance Account.

HCRA receipts are estimated to grow 1.6 percent on average through FY 2018. Surcharge and assessment revenue is expected to increase due to expanded coverage under the ACA, and will be dedicated to finance additional administrative costs associated with the New York State of Health Exchange. This growth is partly offset by projected declines in cigarette tax revenue due to declining tobacco consumption.

HCRA spending is expected to increase by $170 million in FY 2015 and total $5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs; capital costs associated with the implementation of the new All Payers Claims Database (APCD) and Statewide Health Information Network for New York (SHIN-NY), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming; and a $25 million increase in annual funding for the Roswell Park Cancer Institute (RPCI) to offset the expiration of other capital grant award funding.

The FY 2015 Enacted Budget is expected to lower costs associated with certain programs financed with HCRA revenue, the most notable of which is a planned freeze of reimbursement rates associated with the CHP program for one year.

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

MENTAL HYGIENE

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

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

MENTAL HYGIENE
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,777**	**2,925**	**5.3%**	**3,063**	**4.7%**	**3,078**	**0.5%**	**3,555**	**15.5%**
People with Developmental Disabilities	**1,364**	**1,463**	**7.3%**	**1,533**	**4.8%**	**1,463**	**-4.6%**	**1,810**	**23.7%**
Residential Services	1,372	1,429	4.2%	1,475	3.2%	1,554	5.4%	1,640	5.5%
Day Programs	598	616	3.0%	635	3.1%	669	5.4%	707	5.7%
Clinic	20	21	5.0%	22	4.8%	23	4.5%	24	4.3%
Other Local	104	112	7.7%	116	3.6%	122	5.2%	127	4.1%
Mental Hygiene Stabilization Fund	(730)	(445)	39.0%	(267)	40.0%	(267)	0.0%	0	100.0%
Financial Plan Relief	0	(270)	-	(448)	-65.9%	(638)	-42.4%	(688)	-7.8%
Mental Health	**1,101**	**1,143**	**3.8%**	**1,205**	**5.4%**	**1,278**	**6.1%**	**1,396**	**9.2%**
Adult Local Services	920	952	3.5%	1,008	5.9%	1,075	6.6%	1,179	9.7%
Children Local Services	181	191	5.5%	197	3.1%	203	3.0%	217	6.9%
Alcohol and Substance Abuse	**311**	**318**	**2.3%**	**324**	**1.9%**	**336**	**3.7%**	**348**	**3.6%**
Outpatient/Methadone	125	125	0.0%	127	1.6%	131	3.1%	134	2.3%
Residential	120	127	5.8%	130	2.4%	135	3.8%	142	5.2%
Prevention and Program Support	53	53	0.0%	54	1.9%	56	3.7%	58	3.6%
Crisis	13	13	0.0%	13	0.0%	14	7.7%	14	0.0%
CQCAPD/Justice Center[1]	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

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

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 6.4 percent annually. The main factor driving this level of growth is the phase-down of the Mental Hygiene Stabilization Fund, whereby certain OPWDD-related Medicaid costs are funded under the Medicaid Global Cap. When adjusting for the phase-down of the Mental Hygiene Stabilization Fund, local program spending is expected to increase by an average annual rate of 4.9 percent, and is mainly attributable to increases in the projected State share of Medicaid costs and projected expansion of the various mental hygiene service systems, including costs associated with developing new OPWDD residential and non-residential services; expansions in community mental health services intended to reduce reliance on inpatient treatment; developing new opiate and heroin treatment and prevention programs; the New York/New York III Supportive Housing agreement; and community beds that are currently under development for adult home and nursing home residents with mental illness. Additional outyear spending is assumed in Financial Plan estimates for costs associated with efforts to move individuals to the least restrictive setting possible, as well as several chemical dependence treatment and prevention initiatives for individuals receiving services through OASAS.

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

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

Current spending estimates do not reflect any actions which may be needed to mitigate potentially adverse impacts to the Updated Financial Plan as a result of additional Federal Centers for Medicare and Medicaid Services (CMS) rate disallowances for services provided in State-operated developmental disability institutions. The State had requested reconsideration of the proposed CMS audit disallowance, noting among other things that CMS approved the State's original claiming methodology. On November 21, 2014, the State received notification from HHS that the State's request for reconsideration was denied. Following that notification, the State has 60 days to file a notice of appeal with the Departmental Appeals Board (DAB) with HHS. The State currently plans to pursue the DAB appeals process. There can be no assurance that the State will be successful in its appeal. (See "Other Matters Affecting the State 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 Supplemental Security Income (SSI). The Family Assistance program, which is financed by the Federal government, provides time-limited cash assistance to eligible families. The Safety Net Assistance program, financed by the State and local districts, provides cash assistance for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law. The State SSI Supplementation program provides a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled.

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,351**	**1,232**	**-8.8%**	**1,259**	**2.2%**	**1,270**	**0.9%**	**1,281**	**0.9%**
SSI	739	653	-11.6%	676	3.5%	686	1.5%	695	1.3%
Public Assistance Benefits	487	459	-5.7%	459	0.0%	459	0.0%	459	0.0%
Welfare Initiatives	20	20	0.0%	18	-10.0%	18	0.0%	18	0.0%
All Other	105	100	-4.8%	106	6.0%	107	0.9%	109	1.9%

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

OFFICE OF CHILDREN AND FAMILY SERVICES

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

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

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

TRANSPORTATION

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

TRANSPORTATION
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**4,719**	**4,817**	**2.1%**	**4,865**	**1.0%**	**4,936**	**1.5%**	**5,014**	**1.6%**
Mass Transit Operating Aid:	2,101	2,161	2.9%	2,161	0.0%	2,161	0.0%	2,161	0.0%
Metro Mass Transit Aid	1,964	2,015	2.6%	2,015	0.0%	2,015	0.0%	2,015	0.0%
Public Transit Aid	85	94	10.6%	94	0.0%	94	0.0%	94	0.0%
18-b General Fund Aid	27	27	0.0%	27	0.0%	27	0.0%	27	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,898	1,931	1.7%	2,004	3.8%	2,076	3.6%	2,154	3.8%
Dedicated Mass Transit	673	679	0.9%	654	-3.7%	653	-0.2%	652	-0.2%
AMTAP	45	45	0.0%	45	0.0%	45	0.0%	45	0.0%
All Other	2	1	-50.0%	1	0.0%	1	0.0%	2	100.0%

Increased operating aid for FY 2015 to the MTA and other transit systems reflects the current receipts forecast and the timing of resources due to transactional delays during FY 2014.

The FY 2015 Enacted Budget included legislative authorization to offset General Fund support for MTA-related debt service costs by transferring $30 million in dedicated resources from the Metropolitan Mass Transportation Operating Assistance (MMTOA) account to the General Debt Service Fund. The Updated Financial Plan also assumes that $20 million in MMTOA resources will be available to offset MTA-related debt service costs on an annual basis beginning in FY 2016.

LOCAL GOVERNMENT ASSISTANCE

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

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

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

AGENCY OPERATIONS

Agency operating costs include personal service, non-personal service, and General State Charges (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 litigation. 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 Civil Service Employees Association (CSEA), which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; Public Employees Federation (PEF), which represents professional and technical personnel (i.e., attorneys, nurses, accountants, engineers, social workers, and institution teachers); United University Professions (UUP), which represents faculty and non-teaching professional staff within the State University system; and New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), which represents security personnel (correction officers, safety and security officers).

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

		Forecast			
	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	0%	2%	2%	TBD	TBD
PEF / NYSPBA	0%	2%	TBD	TBD	TBD
State Workforce[2]	118,492	118,257	TBD	TBD	TBD
ERS Pension Contribution Rate[3]					
Before Amortization (Normal/Admin/GLIP)	21.5%	20.4%	18.4%	18.6%	18.8%
After Amortization	12.5%	13.5%	14.5%	15.5%	16.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	29.9%	28.1%	25.0%	25.2%	25.4%
After Amortization	20.5%	21.5%	22.5%	23.5%	24.5%
Employee/Retiree Health Insurance Growth Rates	3.8%	3.3%	6.5%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	14.4%	13.9%	14.4%	14.2%	14.2%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] Reflects workforce that is Subject to Direct Executive Control.
[3] As Percent of Salary.

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

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

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; while the consolidation of state agency IT functions into one central agency, IT services, drives a higher cost in FY 2015 compared to FY 2014. In addition, the State's workforce is paid on a bi-weekly basis, with weekly pay cycles that 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 (millions of dollars)					
	FY 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,741**	**9,933**	**10,228**	**10,086**	**10,057**
Mental Hygiene	2,915	2,878	2,890	2,889	2,889
Corrections and Community Supervision	2,584	2,572	2,576	2,580	2,582
State Police	648	658	658	658	658
Public Health	406	421	530	497	489
Tax and Finance	345	339	332	331	331
Children and Family Services	277	264	252	252	252
Environmental Conservation	235	234	235	235	213
Information Technology Services	220	421	427	427	427
Financial Services	195	202	202	202	202
Medicaid Admin	141	230	217	229	229
Parks, Recreation and Historic Preservation	186	178	178	178	178
Gaming	137	166	165	165	166
Temporary and Disability Assistance	139	150	161	161	161
General Services	164	151	150	150	150
Workers' Compensation Board	148	142	142	142	142
27th Institutional Payroll	0	0	124	0	0
All Other	1,001	927	989	990	988
UNIVERSITY SYSTEMS	**5,777**	**5,821**	**5,940**	**6,077**	**6,185**
State University	5,698	5,731	5,849	5,984	6,090
City University	79	90	91	93	95
INDEPENDENT AGENCIES	**300**	**309**	**309**	**309**	**309**
Law	162	168	168	168	168
Audit & Control	138	141	141	141	141
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**15,818**	**16,063**	**16,477**	**16,472**	**16,551**
Judiciary	1,838	1,926	1,926	1,926	1,926
Legislature	208	219	219	219	219
Statewide Total	**17,864**	**18,208**	**18,622**	**18,617**	**18,696**
Personal Service	12,300	12,600	12,845	12,822	12,869
	-0.8%	2.4%	1.9%	-0.2%	0.4%
Non-Personal Service	5,564	5,608	5,777	5,795	5,827
	5.4%	0.8%	3.0%	0.3%	0.6%

In FY 2015, $12.6 billion or 13.7 percent of the State Operating Funds Budget is projected to be spent on personal service costs and supports roughly 98,800 Full-Time Equivalents (FTE) employees under direct Executive control and another 15,100 employees of the Legislature and Judiciary. Roughly 75 percent of all personal service spending occurs in four areas: SUNY, the Mental Hygiene agencies, DOCCS, and Judiciary.

STATE OPERATING FUNDS
FY 2015 PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,141**	**98,216**
Mental Hygiene Agencies	2,271	33,995
Corrections and Community Supervision	2,090	27,855
State Police	564	5,526
Tax and Finance	275	4,368
Health	264	3,691
Environmental Conservation	176	2,246
Children and Family Services	158	2,582
Financial Services	147	1,370
Parks, Recreation and Historic Preservation	132	1,589
All Other	1,064	14,994
University Systems	**3,586**	**43,911**
State University	3,545	43,575
City University	41	336
Independent Agencies	**1,873**	**18,084**
Law	114	1,578
Audit & Control	110	1,582
Judiciary	1,483	14,922
Legislature [1]	166	2
Total Spending / FTEs	**12,600**	**160,211**

[1] The majority of legislative employees are non-annual salaried.
Note: CUNY employees are funded primarily through an agency trust fund. This represents approximately an additional 13,275 FTEs.

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. However, certain agencies, including the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through General State Charges ("GSCs") are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. The largest General Fund reimbursement comes from the mental hygiene agencies.

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2014 Results	FY 2015 Updated	Change	FY 2016 Projected	Change	FY 2017 Projected	Change	FY 2018 Projected	Change
TOTAL STATE OPERATING FUNDS	**6,958**	**7,210**	**3.6%**	**7,477**	**3.7%**	**7,970**	**6.6%**	**8,410**	**5.5%**
Fringe Benefits	**6,564**	**6,809**	**3.7%**	**7,079**	**4.0%**	**7,585**	**7.1%**	**8,017**	**5.7%**
Health Insurance	3,253	3,359	3.3%	3,564	6.1%	3,779	6.0%	4,009	6.1%
Employee Health Insurance	1,790	1,850	3.4%	1,963	6.1%	2,081	6.0%	2,208	6.1%
Retiree Health Insurance	1,463	1,509	3.1%	1,601	6.1%	1,698	6.1%	1,801	6.1%
Pensions	2,086	2,136	2.4%	2,261	5.9%	2,449	8.3%	2,643	7.9%
Social Security	944	967	2.4%	987	2.1%	1,008	2.1%	1,026	1.8%
All Other Fringe	281	347	23.5%	267	-23.1%	349	30.7%	339	-2.9%
Fixed Costs	**394**	**401**	**1.8%**	**398**	**-0.7%**	**385**	**-3.3%**	**393**	**2.1%**

The Updated Financial Plan includes revised annual State pension contribution costs beginning in FY 2016 to account for the implementation of new actuarial assumptions by the New York State and Local Retirement Systems' Actuary, most notably to begin using the new MP-2014 Mortality Improvement Scale and the expectation that a portion of future contributions will be amortized as permissible by law. In total, State pension contribution costs have been increased by $770 million through FY 2018 since the FY 2015 Enacted Budget Financial Plan.

GSCs are projected to increase at an average annual rate of 4.9 percent over the Financial Plan period due mainly to projected growth in the employer share of costs for employee and retiree health insurance benefits, and the revised pension contribution costs. Fixed costs are projected to average approximately $394 million annually over the multi-year plan.

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 2014 Results	FY 2015 Updated	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**9,095**	**8,236**	**9,087**	**10,100**	**10,686**
State Share of Mental Hygiene Medicaid	**1,576**	**1,638**	**1,313**	**1,281**	**1,156**
Debt Service	**1,972**	**1,081**	**1,058**	**1,457**	**1,509**
SUNY University Operations	**971**	**977**	**980**	**980**	**980**
Capital Projects	**1,436**	**930**	**1,406**	**1,761**	**2,006**
Dedicated Highway and Bridge Trust Fund	450	719	697	776	848
All Other Capital	986	211	709	985	1,158
ALL OTHER TRANSFERS	**3,140**	**3,610**	**4,330**	**4,621**	**5,035**
Mental Hygiene	2,135	2,350	3,129	3,410	3,821
Department of Transportation (MTA Tax)	329	335	335	335	336
SUNY - Medicaid Reimbursement	173	209	228	228	228
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	67	88	88	88	88
Dedicated Mass Transportation Trust Fund	0	63	63	63	63
Mortgage Settlement Proceeds Trust Fund	0	58	0	0	0
Banking Services	41	50	52	54	55
Indigent Legal Services	28	40	40	40	40
Mass Transportation Operating Assistance	34	37	37	37	37
Alcoholic Beverage Control	18	20	20	20	20
Information Technology Services	40	14	6	0	0
Public Transportation Systems	12	15	15	15	15
Correctional Industries	10	12	11	11	11
All Other	146	212	199	213	214

A significant portion of the capital and operating expenses of DOT and the Department of Motor Vehicles (DMV) are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on certain transportation bonds – exceed current and projected revenue deposits and bond proceeds.

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)				
	FY 2014 Results	FY 2015 Updated	Annual Change	Percent Change
General Fund	**1,972**	**1,081**	**(891)**	**-45.2%**
Other State Support	4,428	4,567	139	3.1%
State Operating/All Funds Total	**6,400**	**5,648**	**(752)**	**-11.8%**

Total debt service is projected at $5.6 billion in FY 2015, of which approximately $1.1 billion is paid from the General Fund through transfers, and $4.6 billion from other State funds. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service is paid directly from other State funds, subject to appropriation, for the State's revenue bonds, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds. Debt service spending estimates are unchanged from the AIS, wherein it is noted that FY 2015 spending estimates assume the prepayment of $350 million of debt service that is due during FY 2016.

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 issued the Basic Financial Statements for FY 2014 on July 29, 2014.

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 EMMA website at www.emma.msrb.org.

STATE RETIREMENT SYSTEMS

GENERAL

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "Systems") and the Common Retirement Fund ("CRF"), a pooled investment vehicle in which the assets of the Systems are held and invested. Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2014, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2014. 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

The Systems provide pension benefits to public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2014. There were 3,029 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2014, approximately 644,000 persons were members of the Systems and approximately 422,000 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be “a contractual relationship, the benefits of which shall not be diminished or impaired”.

COMPARISON OF BENEFITS BY TIER

The Systems’ members are categorized into six tiers depending on date of membership. As of March 31, 2014, approximately 79 percent of ERS members were in Tiers 3 and 4 and approximately 86 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members 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, 2014 is $41.23 million and the amount due from participating employers is $58.34 million.

CONTRIBUTIONS AND FUNDING

Contributions to the Systems are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 83.5 percent of the 1,805 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less must contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 will contribute 3.5 percent; members earning between $55,001 and $75,000 will contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 will contribute 6 percent of their gross annual salary.

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the Systems. In order to protect employers from potentially volatile contributions tied directly to the value of the Systems' assets held by the CRF, the Systems utilize a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the Systems Actuary, which is currently 7.5 percent[4]. The current actuarial smoothing method spreads the impact of gains or losses above or below the 7.5 percent assumed investment rate of return over a 5-year period. Thus, because of the significant investment loss in FY 2009, employer contribution rates increased for FY 2011, FY 2012, FY 2013 and FY 2014, but decreased for FY 2015 and FY 2016 due to recent investment gains. 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, 2014, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is $85.7 million and from participating employers is $27.5 million. The State paid approximately $1.934 billion in contributions (including Judiciary) for FY 2014 including amortization payments of approximately $386.42 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010 and the 2010 retirement incentive program and two prepayments of the March 1, 2015 State bill. In FY 2014, the State paid off the Judiciary's 2005 amortization liability.

[4] 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 the most 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).

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, 2014, the amortized amount receivable, including accrued interest, for the 2011 amortization is $187.78 million from the State and $31.71 million from 45 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $467.67 million from the State and $171.90 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $712.36 million from the State and $337.54 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is $939.82 million for the State and $225.16 million from 110 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would 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 is $251.18 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) related to the FY 2014 bill was approximately $2.744 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately $1.545 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2014 payment by $937.0 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities".

The State (including Judiciary) made $1.987 billion in payments towards the FY 2015 bill. These prepayments credited with $79.6 million in interest yield a total value of $2.067 billion on March 1, 2015. If the State (including Judiciary) opts to amortize the maximum amount permitted, the total amount due on March 1, 2015 is $0. 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 performance. The valuation used by the Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2014. The 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 process[5].

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 which 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 2011[6]. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from $155.4 billion on April 1, 2013 to

[5] 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.

[6] 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.

$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 percent[7].

In June 2012, GASB approved two related Statements that make changes to the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the Systems' actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions.

The standards for public plans' financial statements go into effect for fiscal years beginning on or after June 15, 2013 (e.g. NYSLRS March 31, 2015 financial statement). The standards for employers are effective for fiscal years beginning on or after June 15, 2014. For example, it would be effective for the State's fiscal year ending March 31, 2016.

Under the new standards, participating employers will be required to report a new liability (Net Pension Liability) in their financial statements. The Systems are currently evaluating the impact of the new standards and implementation considerations.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans. Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new Statements also replace the requirements of Statement No. 50, Pension Disclosures, for those governments and pension plans.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "State Retirement Systems — Contributions and Funding" above.

[7] 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: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
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.

AUTHORITIES AND LOCALITIES

PUBLIC AUTHORITIES

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

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

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

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As of December 31, 2013 (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 $175 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, 2013[(2)]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[(3)]	25,277	21,019	**46,296**
Metropolitan Transportation Authority	346	24,352	**24,698**
Port Authority of NY & NJ	0	21,876	**21,876**
Thruway Authority	10,056	4,830	**14,886**
UDC/ESD	11,090	903	**11,993**
Housing Finance Agency	859	11,077	**11,936**
Triborough Bridge and Tunnel Authority	0	8,292	**8,292**
Job Development Authority[(2)]	12	7,111	**7,123**
Long Island Power Authority[(4)]	0	6,967	**6,967**
Environmental Facilities Corporation	645	6,158	**6,803**
Energy Research and Development Authority	0	3,434	**3,434**
State of New York Mortgage Agency	0	2,781	**2,781**
Local Government Assistance Corporation	2,592	0	**2,592**
Tobacco Settlement Financing Corporation	2,053	0	**2,053**
Power Authority	0	1,675	**1,675**
Battery Park City Authority	0	1,059	**1,059**
Municipal Bond Bank Agency	281	291	**572**
Niagara Frontier Transportation Authority	0	144	**144**
Bridge Authority	0	117	**117**
TOTAL OUTSTANDING	53,211	122,086	**175,297**

Source: Office of the State Comptroller. Debt classifications by Division of the Budget.

(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 $2.02 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

LOCALITIES

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities, while one of the largest disbursement categories in the State budget, is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

THE CITY OF NEW YORK

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Ben Schanback, Investor Relations, (212) 788-0920, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY 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.

Various actions taken by NIFA or Nassau County have been the subject of Federal and State court decisions. For example, NIFA's imposition of a wage freeze has been the subject of litigation, and the New York State Court of Appeals has held that Nassau County could not transfer the responsibility for certain tax refunds to local governments and school districts. During 2014, NIFA has approved labor contracts that include wage increases for various collective bargaining units, ending NIFA's 3-year imposition of the wage freeze.

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2014 or thereafter.

The City of Yonkers no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District is dependent upon the City of Yonkers as it lacks separate taxing authority for school operations. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated shortfall in available funds for operation of the Yonkers City School District. In response, the Yonkers City School District Deficit

Financing Act was enacted, which authorizes the City of Yonkers to issue debt of up to $45 million to liquidate current deficits in the school district's general fund as of June 30, 2014. The FY 2015 Enacted Budget also provides $28 million to the City of Yonkers and Yonkers City School District for the school year 2015, subject to an Inter-Municipal Agreement to be executed between the City of Yonkers and the Yonkers City School District and approved by the State Budget Director, to consolidate and combine various overlapping and duplicative non-academic functions under the general management and direction of the City of Yonkers. 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.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the Director of the State Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality", is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board is currently reviewing or has completed reviews for seven 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 New York City Debt[2]		Other Localities Debt[3]		Total Locality Debt[3]	
	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	36,267	7,344	115,685	7,344

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.

LITIGATION AND ARBITRATION

REAL PROPERTY CLAIMS

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

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

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

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

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.

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 December 12, 2014 to allow for settlement negotiations.

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

In *Shinnecock Indian Nation v. State of New York*, et al. ("EDNY"), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The motion for reconsideration has been withdrawn, and on October 31, 2014, plaintiff also withdrew its motion to amend the complaint. The *Shinnecock* appeal to the Second Circuit remains stayed, but will likely soon be reinstated.

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.

Depositions have been completed. The discovery deadline was May 3, 2013. The note of issue was filed on May 13, 2013. A pretrial conference is scheduled for December 23, 2014. The trial is scheduled for January 21, 2015.

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

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, 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' motion to dismiss the amended complaint was returnable December 12, 2013. After argument before Judge O'Connor, the case was reassigned to Judge Devine, who agreed to rehear argument. Argument was delayed pending another motion by plaintiffs to amend the complaint to add a challenge to newly enacted Education Law § 2023-b ("Tax Freeze law"). Upon Judge Devine's appointment to the Appellate Division, the case was reassigned to Acting Supreme Court Justice Richard Platkin who shortly thereafter recused himself at the request of the plaintiff. Justice Patrick McGrath was then assigned and has pending before him the defendants' motion to dismiss the First Amended Complaint and plaintiffs' motion to file and serve a Second Amended Complaint, which motion was opposed by the defendants. 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 Education Law § 2023-a ("Tax Cap law"); and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Education Law § 2023-b ("Tax Freeze law"). The defendants' response to the Second Amended Complaint is due December 1, 2014. Another motion to dismiss is contemplated.

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' deadline for filing an answer to the petition is November 28, 2014.

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.

INSURANCE DEPARTMENT ASSESSMENTS

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. Depositions have been completed. The note of issue was filed on June 3, 2013. The parties have moved for summary judgment and the motions were submitted on March 25, 2014. The plaintiffs/intervenor-plaintiffs have served a third amended complaint, which adds a challenge to the 2012-13 assessments, and have supplemented summary judgment papers to address this claim.

TOBACCO MASTER SETTLEMENT AGREEMENT (MSA)

In 1998, the attorneys general of 46 states, including New York, and several territories (collectively the "Settling States") and the then four largest United States tobacco manufacturers (the "Original Participating Manufacturers" or "OPMs"), entered into a Master Settlement Agreement (the "MSA") to resolve cigarette smoking-related litigation between the Settling States and the OPMs. Approximately 30 additional tobacco companies have entered into the settlement (the "Subsequent Participating Manufacturers" or "SPMs"; together they are the "Participating Manufacturers" or "PMs"). The MSA released the PMs from past and present smoking-related claims by the Settling States, and provided for a continuing release of future smoking-related claims, in exchange for certain payments to be made to the Settling States, and the imposition of certain tobacco advertising and marketing restrictions among other things.

ARBITRATION

The Participating Manufacturers have also brought a nationwide arbitration proceeding against the Settling States (excluding Montana). The MSA provides that each year, in perpetuity, the PMs pay the Settling States a base payment, subject to certain adjustments, to compensate for financial harm suffered by the Settling States due to smoking-related illness. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("Non-Participating Manufacturers" or "NPMs") to deposit in escrow an amount roughly equal to the amount that PMs pay per pack sold. New York's allocable share of the total base payment is approximately 12.8 percent of the total, or approximately $800 million annually.

In the arbitration proceeding commenced in 2010, the PMs asserted that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs sought a downward adjustment of the payment due in that year (an "NPM Adjustment") which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled in 2003. The PMs have raised the same claim for years 2004-2006, but none of those years is yet in arbitration.

A hearing on issues common to all states took place in Chicago April 16-24, 2012. State-specific hearings commenced in May 2012, with the hearings involving Missouri and Illinois. New York's diligent enforcement hearings took place June 25-29, 2012. The last state-specific "diligent" enforcement hearing took place May 21-24, 2013. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM

Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, during the pendency of the arbitration, the PMs and 19 states (collectively the “Signatory Parties”) agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. The Signatory Parties then sought the approval of the Panel in order to obtain an early release of MSA annual payments currently being held in a disputed payments account. The non-joining states objected to approval of the term sheet because its terms negatively impact the non-joining states. Under the MSA reallocation provision, every state is either “diligent” or “not diligent” and only “diligent” states are exempt from the NPM Adjustment. For every state found diligent, its allocable share of the NPM Adjustment is shifted to any remaining non-diligent states. The non-joining states sought to have the signatory states treated as non-diligent for purposes of allocation of the NPM Adjustment. The Panel held a status conference on January 22, 2013, and a hearing of March 7, 2013, to discuss the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award (“Partial Award”) based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states (collectively, the “Signatory States”) “diligent” for purposes of allocation of the NPM Adjustment. The Panel also established a mechanism for reallocating any NPM Adjustment among non-diligent states that alters the terms of the MSA itself. Thus, had New York been found to have been “not diligent” in its enforcement of its escrow statute in 2003, New York would have exposure not only for its share of the NPM adjustment but also for its proportionate share of the NPM Adjustment attributable to the Signatory States. New York, as well as several other states, moved in its state court to vacate or modify the Partial Award notwithstanding the Panel's finding. New York's motion has been adjourned several times. The six states that were found “not diligent” are all actively pursuing motions in their state courts to vacate or modify the Partial Award as well as to vacate the Panel's findings regarding that state's diligence. Courts in two of the non-prevailing states, Missouri and Pennsylvania, have issued decisions vacating and/or modifying the Panel's Partial Award to the extent that the Award unfairly harms each of those states by having the Signatory States deemed diligent for purposes of allocation of the NPM Adjustment. Each of these courts held that the Signatory States should be deemed non-diligent for purposes of allocation of the NPM Adjustment. The court in Maryland denied the state's motion to vacate or modify the Partial Award. Courts in the remaining states challenging the Partial Award have not yet ruled.

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.

FINANCIAL PLAN TABLES

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2014 and projected receipts and disbursements for fiscal years 2015 through 2018 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2016 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% State Operating Funds Spending Benchmark". Total disbursements in Updated 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.

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

	FY 2014 Results	FY 2015 Projected	Annual $ Change	Annual % Change
Opening Fund Balance	1,610	2,235	625	38.8%
Receipts:				
Taxes:				
Personal Income Tax	28,864	29,372	508	1.8%
Consumption/Use Taxes	6,561	6,626	65	1.0%
Business Taxes	6,046	5,491	(555)	-9.2%
Other Taxes	1,256	1,198	(58)	-4.6%
Miscellaneous Receipts	3,219	8,335	5,116	158.9%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,822	9,038	216	2.4%
Sales Tax in Excess of LGAC	2,568	2,615	47	1.8%
Sales Tax in Excess of Revenue Bond Debt Service	2,936	2,894	(42)	-1.4%
Real Estate Taxes in Excess of CW/CA Debt Service	705	761	56	7.9%
All Other	891	1,445	554	62.2%
Total Receipts	61,868	67,775	5,907	9.5%
Disbursements:				
Local Assistance Grants	39,940	42,002	2,062	5.2%
Departmental Operations:				
Personal Service	5,563	5,895	332	6.0%
Non-Personal Service	1,746	1,962	216	12.4%
General State Charges	4,899	5,076	177	3.6%
Transfers to Other Funds:				
Debt Service	1,972	1,081	(891)	-45.2%
Capital Projects	1,436	930	(506)	-35.2%
State Share of Mental Hygiene Medicaid	1,576	1,638	62	3.9%
SUNY Operations	971	977	6	0.6%
Other Purposes	3,140	3,610	470	15.0%
Total Disbursements	61,243	63,171	1,928	3.1%
Excess (Deficiency) of Receipts Over Disbursements	625	4,604	3,979	636.6%
Closing Fund Balance	2,235	6,839	4,604	206.0%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,131	1,131	0	
Rainy Day Reserve Fund	350	350	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	87	0	(87)	
Reserved For				
Prior-Year Labor Agreements (2007-2011)	88	53	(35)	
Debt Management	500	500	0	
Undesignated Reserve	0	4,784	4,784	
J.P. Morgan Settlement Proceeds	58	0	(58)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2015 through FY 2018
(millions of dollars)

	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Receipts:				
Taxes:				
Personal Income Tax	29,372	31,643	33,943	35,730
Consumption/Use Taxes	6,626	6,908	7,132	7,373
Business Taxes	5,491	5,728	5,609	5,729
Other Taxes	1,198	1,158	1,063	1,013
Miscellaneous Receipts	8,335	2,980	2,790	2,215
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	9,038	9,636	10,235	10,664
Sales Tax in Excess of LGAC	2,615	2,743	2,880	3,087
Sales Tax in Excess of Revenue Bond Debt Service	2,894	2,923	2,933	2,932
Real Estate Taxes in Excess of CW/CA Debt Service	761	826	885	958
All Other	1,445	813	771	744
Total Receipts	67,775	65,358	68,241	70,445
Disbursements:				
Local Assistance Grants	42,002	44,780	47,004	49,606
Departmental Operations:				
Personal Service	5,895	5,998	5,964	5,986
Non-Personal Service	1,962	2,010	2,004	2,053
General State Charges	5,076	5,286	5,733	6,139
Transfers to Other Funds:				
Debt Service	1,081	1,058	1,457	1,509
Capital Projects	930	1,406	1,761	2,006
State Share of Mental Hygiene Medicaid	1,638	1,313	1,281	1,156
SUNY Operations	977	980	980	980
Other Purposes	3,610	4,330	4,621	5,035
Total Disbursements	63,171	67,161	70,805	74,470
Use (Reservation) of Fund Balance:				
Community Projects Fund	87	0	0	0
Prior-Year Labor Agreements (2007-2011)	35	(11)	(12)	(11)
Undesignated Reserve	(4,784)	0	0	0
J.P. Morgan Settlement Proceeds	58	0	0	0
Total Use (Reservation) of Fund Balance	(4,604)	(11)	(12)	(11)
Adherence to 2% State Operating Funds Spending Benchmark*		2,057	3,647	5,469
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	243	1,071	1,433

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

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2015
(millions of dollars)

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	29,372	0	29,372	0	29,372
Consumption/Use Taxes	6,652	(26)	6,626	0	6,626
Business Taxes	5,438	53	5,491	0	5,491
Other Taxes	1,197	1	1,198	0	1,198
Miscellaneous Receipts	3,815	3,895	7,710	625	8,335
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,038	0	9,038	0	9,038
Sales Tax in Excess of LGAC	2,628	(13)	2,615	0	2,615
Sales Tax in Excess of Revenue Bond Debt Service	2,908	(14)	2,894	0	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	761	0	761	0	761
All Other	1,153	292	1,445	0	1,445
Total Receipts	62,962	4,188	67,150	625	67,775
Disbursements:					
Local Assistance Grants	42,118	(116)	42,002	0	42,002
Departmental Operations:					
Personal Service	5,890	5	5,895	0	5,895
Non-Personal Service	1,960	2	1,962	0	1,962
General State Charges	5,072	4	5,076	0	5,076
Transfers to Other Funds:					
Debt Service	1,081	0	1,081	0	1,081
Capital Projects	930	0	930	0	930
State Share of Mental Hygiene Medicaid	1,638	0	1,638	0	1,638
SUNY Operations	977	0	977	0	977
Other Purposes	3,476	134	3,610	0	3,610
Total Disbursements	63,142	29	63,171	0	63,171
Use (Reservation) of Fund Balance:					
Community Projects Fund	87	0	87	0	87
Prior-Year Labor Agreements (2007-2011)	(8)	43	35	0	35
Undesignated Reserve	43	(4,202)	(4,159)	(625)	(4,784)
J.P. Morgan Settlement Proceeds	58	0	58	0	58
Total Use (Reservation) of Fund Balance	180	(4,159)	(3,979)	(625)	(4,604)
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	0	0	0

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2016
(millions of dollars)

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	31,643	0	31,643	0	31,643
Consumption/Use Taxes	6,908	0	6,908	0	6,908
Business Taxes	5,728	0	5,728	0	5,728
Other Taxes	1,157	1	1,158	0	1,158
Miscellaneous Receipts	2,980	0	2,980	0	2,980
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	9,636	0	9,636	0	9,636
Sales Tax in Excess of LGAC	2,743	0	2,743	0	2,743
Sales Tax in Excess of Revenue Bond Debt Service	2,923	0	2,923	0	2,923
Real Estate Taxes in Excess of CW/CA Debt Service	826	0	826	0	826
All Other	819	(6)	813	0	813
Total Receipts	65,363	(5)	65,358	0	65,358
Disbursements:					
Local Assistance Grants	44,827	(47)	44,780	0	44,780
Departmental Operations:					
Personal Service	5,986	12	5,998	0	5,998
Non-Personal Service	2,010	0	2,010	0	2,010
General State Charges	5,322	4	5,326	(40)	5,286
Transfers to Other Funds:					
Debt Service	1,058	0	1,058	0	1,058
Capital Projects	1,406	0	1,406	0	1,406
State Share of Mental Hygiene Medicaid	1,313	0	1,313	0	1,313
SUNY Operations	980	0	980	0	980
Other Purposes	4,241	89	4,330	0	4,330
Total Disbursements	67,143	58	67,201	(40)	67,161
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	(11)	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	(11)	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	2,094	3	2,097	(40)	2,057
Net General Fund Surplus (Deficit)	303	(60)	243	0	243

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

Source: NYS DOB.

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

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	33,943	0	33,943	0	33,943
Consumption/Use Taxes	7,132	0	7,132	0	7,132
Business Taxes	5,609	0	5,609	0	5,609
Other Taxes	1,062	1	1,063	0	1,063
Miscellaneous Receipts	2,790	0	2,790	0	2,790
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,235	0	10,235	0	10,235
Sales Tax in Excess of LGAC	2,880	0	2,880	0	2,880
Sales Tax in Excess of Revenue Bond Debt Service	2,933	0	2,933	0	2,933
Real Estate Taxes in Excess of CW/CA Debt Service	885	0	885	0	885
All Other	777	(6)	771	0	771
Total Receipts	68,246	(5)	68,241	0	68,241
Disbursements:					
Local Assistance Grants	47,077	(73)	47,004	0	47,004
Departmental Operations:					
Personal Service	5,952	12	5,964	0	5,964
Non-Personal Service	2,004	0	2,004	0	2,004
General State Charges	5,470	4	5,474	259	5,733
Transfers to Other Funds:					
Debt Service	1,457	0	1,457	0	1,457
Capital Projects	1,761	0	1,761	0	1,761
State Share of Mental Hygiene Medicaid	1,281	0	1,281	0	1,281
SUNY Operations	980	0	980	0	980
Other Purposes	4,532	89	4,621	0	4,621
Total Disbursements	70,514	32	70,546	259	70,805
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(12)	0	(12)	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	(12)	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark*	3,385	3	3,388	259	3,647
Net General Fund Surplus (Deficit)	1,105	(34)	1,071	0	1,071

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

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018
(millions of dollars)

	Enacted	Change	First Quarter	Change	Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	35,730	0	35,730	0	35,730
Consumption/Use Taxes	7,373	0	7,373	0	7,373
Business Taxes	5,729	0	5,729	0	5,729
Other Taxes	1,012	1	1,013	0	1,013
Miscellaneous Receipts	2,215	0	2,215	0	2,215
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,664	0	10,664	0	10,664
Sales Tax in Excess of LGAC	3,087	0	3,087	0	3,087
Sales Tax in Excess of Revenue Bond Debt Service	2,932	0	2,932	0	2,932
Real Estate Taxes in Excess of CW/CA Debt Service	958	0	958	0	958
All Other	750	(6)	744	0	744
Total Receipts	70,450	(5)	70,445	0	70,445
Disbursements:					
Local Assistance Grants	49,671	(65)	49,606	0	49,606
Departmental Operations:					
Personal Service	5,975	11	5,986	0	5,986
Non-Personal Service	2,052	1	2,053	0	2,053
General State Charges	5,583	4	5,587	552	6,139
Transfers to Other Funds:					
Debt Service	1,509	0	1,509	0	1,509
Capital Projects	2,006	0	2,006	0	2,006
State Share of Mental Hygiene Medicaid	1,156	0	1,156	0	1,156
SUNY Operations	980	0	980	0	980
Other Purposes	4,945	90	5,035	0	5,035
Total Disbursements	73,877	41	73,918	552	74,470
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	(11)	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	(11)	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	4,916	1	4,917	552	5,469
Net General Fund Surplus (Deficit)	1,478	(45)	1,433	0	1,433

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

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND

FY 2015 THROUGH FY 2018
(millions of dollars)

	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Taxes:				
Withholdings	35,149	37,410	39,491	40,905
Estimated Payments	13,533	14,895	16,119	17,058
Final Payments	2,166	2,328	2,530	2,636
Other Payments	1,246	1,293	1,338	1,391
Gross Collections	52,094	55,926	59,478	61,990
State/City Offset	(498)	(448)	(448)	(448)
Refunds	(7,861)	(8,649)	(9,007)	(9,081)
Reported Tax Collections	43,735	46,829	50,023	52,461
STAR (Dedicated Deposits)	(3,429)	(3,478)	(3,574)	(3,616)
RBTF (Dedicated Transfers)	(10,934)	(11,708)	(12,506)	(13,115)
Personal Income Tax	29,372	31,643	33,943	35,730
Sales and Use Tax	12,061	12,554	13,020	13,518
Cigarette and Tobacco Taxes	329	370	356	344
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and Fees	12,646	13,185	13,642	14,133
LGAC/STBF (Dedicated Transfers)	(6,020)	(6,277)	(6,510)	(6,760)
Consumption/Use Taxes	6,626	6,908	7,132	7,373
Corporation Franchise Tax	1,803	3,750	3,435	3,578
Corporation and Utilities Tax	604	590	604	618
Insurance Taxes	1,375	1,426	1,397	1,371
Bank Tax	1,709	(38)	173	162
Petroleum Business Tax	0	0	0	0
Business Taxes	5,491	5,728	5,609	5,729
Estate Tax	1,180	1,140	1,045	995
Real Estate Transfer Tax	955	1,020	1,079	1,149
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	1	1	1	1
Gross Other Taxes	2,153	2,178	2,142	2,162
Real Estate Transfer Tax (Dedicated)	(955)	(1,020)	(1,079)	(1,149)
Other Taxes	1,198	1,158	1,063	1,013
Payroll Tax	0	0	0	0
Total Taxes	42,687	45,437	47,747	49,845
Licenses, Fees, Etc.	757	758	760	760
Abandoned Property	655	655	655	655
Motor Vehicle Fees	155	155	155	155
ABC License Fee	56	65	61	62
Reimbursements	299	289	279	269
Investment Income	10	10	10	10
Other Transactions	6,403	1,048	870	304
Miscellaneous Receipts	8,335	2,980	2,790	2,215
Federal Receipts	0	0	0	0
Total	51,022	48,417	50,537	52,060

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2015
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	2,235	2,489	65	4,789
Receipts:				
Taxes	42,687	8,339	17,790	68,816
Miscellaneous Receipts	8,335	16,273	460	25,068
Federal Receipts	0	1	73	74
Total Receipts	51,022	24,613	18,323	93,958
Disbursements:				
Local Assistance Grants	42,002	19,176	0	61,178
Departmental Operations:				
Personal Service	5,895	6,705	0	12,600
Non-Personal Service	1,962	3,603	43	5,608
General State Charges	5,076	2,134	0	7,210
Debt Service	0	0	5,648	5,648
Capital Projects	0	0	0	0
Total Disbursements	54,935	31,618	5,691	92,244
Other Financing Sources (Uses):				
Transfers from Other Funds	16,753	8,231	4,467	29,451
Transfers to Other Funds	(8,236)	(1,360)	(17,099)	(26,695)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,517	6,871	(12,632)	2,756
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	4,604	(134)	0	4,470
Closing Fund Balance	6,839	2,355	65	9,259

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
Receipts:				
Taxes	45,437	8,502	18,886	72,825
Miscellaneous Receipts	2,980	16,093	433	19,506
Federal Receipts	0	1	73	74
Total Receipts	48,417	24,596	19,392	92,405
Disbursements:				
Local Assistance Grants	44,780	19,358	0	64,138
Departmental Operations:				
Personal Service	5,998	6,847	0	12,845
Non-Personal Service	2,010	3,724	43	5,777
General State Charges	5,286	2,191	0	7,477
Debt Service	0	0	5,908	5,908
Capital Projects	0	1	0	1
Total Disbursements	58,074	32,121	5,951	96,146
Other Financing Sources (Uses):				
Transfers from Other Funds	16,941	8,248	4,104	29,293
Transfers to Other Funds	(9,087)	(748)	(17,514)	(27,349)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,854	7,500	(13,410)	1,944
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	2,057	0	0	2,057
Net Surplus (Deficit)	243	(25)	31	249

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

Source: NYS DOB.

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	47,747	8,712	19,976	76,435
Miscellaneous Receipts	2,790	16,030	404	19,224
Federal Receipts	0	1	73	74
Total Receipts	50,537	24,743	20,453	95,733
Disbursements:				
Local Assistance Grants	47,004	19,342	0	66,346
Departmental Operations:				
Personal Service	5,964	6,858	0	12,822
Non-Personal Service	2,004	3,748	43	5,795
General State Charges	5,733	2,237	0	7,970
Debt Service	0	0	6,682	6,682
Capital Projects	0	3	0	3
Total Disbursements	60,705	32,188	6,725	99,618
Other Financing Sources (Uses):				
Transfers from Other Funds	17,704	8,332	4,454	30,490
Transfers to Other Funds	(10,100)	(702)	(18,139)	(28,941)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,604	7,630	(13,685)	1,549
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark*	3,647	0	0	3,647
Net Surplus (Deficit)	1,071	185	43	1,299

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

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	49,845	8,872	20,905	79,622
Miscellaneous Receipts	2,215	16,086	399	18,700
Federal Receipts	0	1	73	74
Total Receipts	52,060	24,959	21,377	98,396
Disbursements:				
Local Assistance Grants	49,606	19,633	0	69,239
Departmental Operations:				
Personal Service	5,986	6,883	0	12,869
Non-Personal Service	2,053	3,731	43	5,827
General State Charges	6,139	2,271	0	8,410
Debt Service	0	0	7,011	7,011
Capital Projects	0	3	0	3
Total Disbursements	63,784	32,521	7,054	103,359
Other Financing Sources (Uses):				
Transfers from Other Funds	18,385	8,449	4,417	31,251
Transfers to Other Funds	(10,686)	(623)	(18,679)	(29,988)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,699	7,826	(14,262)	1,263
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	5,469	0	0	5,469
Net Surplus (Deficit)	1,433	264	61	1,758

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

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2015
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	2,235	2,364	(629)	65	4,035
Receipts:					
Taxes	42,687	8,339	1,362	17,790	70,178
Miscellaneous Receipts	8,335	16,459	5,208	460	30,462
Federal Receipts	0	43,654	2,062	73	45,789
Total Receipts	51,022	68,452	8,632	18,323	146,429
Disbursements:					
Local Assistance Grants	42,002	58,251	2,474	0	102,727
Departmental Operations:					
Personal Service	5,895	7,367	0	0	13,262
Non-Personal Service	1,962	4,822	0	43	6,827
General State Charges	5,076	2,443	0	0	7,519
Debt Service	0	0	0	5,648	5,648
Capital Projects	0	0	5,991	0	5,991
Total Disbursements	54,935	72,883	8,465	5,691	141,974
Other Financing Sources (Uses):					
Transfers from Other Funds	16,753	7,846	1,118	4,467	30,184
Transfers to Other Funds	(8,236)	(3,422)	(1,509)	(17,099)	(30,266)
Bond and Note Proceeds	0	0	306	0	306
Net Other Financing Sources (Uses)	8,517	4,424	(85)	(12,632)	224
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	4,604	(7)	82	0	4,679
Closing Fund Balance	6,839	2,357	(547)	65	8,714

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
Receipts:					
Taxes	45,437	8,502	1,349	18,886	74,174
Miscellaneous Receipts	2,980	16,279	5,470	433	25,162
Federal Receipts	0	44,776	1,685	73	46,534
Total Receipts	48,417	69,557	8,504	19,392	145,870
Disbursements:					
Local Assistance Grants	44,780	60,282	2,635	0	107,697
Departmental Operations:					
Personal Service	5,998	7,530	0	0	13,528
Non-Personal Service	2,010	4,736	0	43	6,789
General State Charges	5,286	2,518	0	0	7,804
Debt Service	0	0	0	5,908	5,908
Capital Projects	0	1	7,115	0	7,116
Total Disbursements	58,074	75,067	9,750	5,951	148,842
Other Financing Sources (Uses):					
Transfers from Other Funds	16,941	7,905	1,545	4,104	30,495
Transfers to Other Funds	(9,087)	(2,419)	(1,509)	(17,514)	(30,529)
Bond and Note Proceeds	0	0	1,120	0	1,120
Net Other Financing Sources (Uses)	7,854	5,486	1,156	(13,410)	1,086
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	2,057	0	0	0	2,057
Net Surplus (Deficit)	243	(24)	(90)	31	160

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

Source: NYS DOB.

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	47,747	8,712	1,345	19,976	77,780
Miscellaneous Receipts	2,790	16,216	4,937	404	24,347
Federal Receipts	0	46,569	1,641	73	48,283
Total Receipts	50,537	71,497	7,923	20,453	150,410
Disbursements:					
Local Assistance Grants	47,004	62,337	2,224	0	111,565
Departmental Operations:					
Personal Service	5,964	7,551	0	0	13,515
Non-Personal Service	2,004	4,576	0	43	6,623
General State Charges	5,733	2,567	0	0	8,300
Debt Service	0	0	0	6,682	6,682
Capital Projects	0	3	6,366	0	6,369
Total Disbursements	60,705	77,034	8,590	6,725	153,054
Other Financing Sources (Uses):					
Transfers from Other Funds	17,704	7,989	1,896	4,454	32,043
Transfers to Other Funds	(10,100)	(2,267)	(1,568)	(18,139)	(32,074)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	7,604	5,722	743	(13,685)	384
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark*	3,647	0	0	0	3,647
Net Surplus (Deficit)	1,071	185	76	43	1,375

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

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	49,845	8,872	1,349	20,905	80,971
Miscellaneous Receipts	2,215	16,272	4,257	399	23,143
Federal Receipts	0	48,005	1,672	73	49,750
Total Receipts	52,060	73,149	7,278	21,377	153,864
Disbursements:					
Local Assistance Grants	49,606	64,183	1,990	0	115,779
Departmental Operations:					
Personal Service	5,986	7,580	0	0	13,566
Non-Personal Service	2,053	4,568	0	43	6,664
General State Charges	6,139	2,604	0	0	8,743
Debt Service	0	0	0	7,011	7,011
Capital Projects	0	3	6,146	0	6,149
Total Disbursements	63,784	78,938	8,136	7,054	157,912
Other Financing Sources (Uses):					
Transfers from Other Funds	18,385	8,106	2,070	4,417	32,978
Transfers to Other Funds	(10,686)	(2,053)	(1,617)	(18,679)	(33,035)
Bond and Note Proceeds	0	0	392	0	392
Net Other Financing Sources (Uses)	7,699	6,053	845	(14,262)	335
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	5,469	0	0	0	5,469
Net Surplus (Deficit)	1,433	264	(13)	61	1,745

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

Source: NYS DOB.

CASHFLOW GENERAL FUND FY 2015 (dollars in millions)	2014 April Results	May Results	June Results	July Results	August Results	September Results	October Projected	November Projected	December Projected	2015 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,235	5,533	4,548	5,131	6,998	6,889	8,053	7,783	5,536	6,237	9,677	10,548	2,235
RECEIPTS:													
Personal Income Tax	4,015	1,576	2,759	1,924	1,793	2,969	1,855	1,231	3,259	3,101	2,668	2,222	29,372
User Taxes and Fees	506	507	656	527	520	674	521	468	653	536	444	614	6,626
Business Taxes	148	353	1,243	127	(87)	940	92	(28)	904	49	(2)	1,752	5,491
Other Taxes	85	121	70	98	92	107	112	102	102	102	102	105	1,198
Total Taxes	4,754	2,557	4,728	2,676	2,318	4,690	2,580	1,773	4,918	3,788	3,212	4,693	42,687
Abandoned Property	1	0	0	0	0	0	94	130	20	30	85	295	655
ABC License Fee	7	5	5	6	4	5	6	4	4	4	3	3	56
Investment Income	0	0	0	1	0	0	0	1	2	1	1	4	10
Licenses, Fees, etc.	35	57	71	22	54	79	73	55	85	75	75	76	757
Motor Vehicle Fees	37	21	6	20	6	6	24	7	7	7	7	7	155
Reimbursements	7	12	45	0	22	48	5	20	50	10	25	55	299
Other Transactions	88	1,721	29	2,271	103	535	340	15	51	1,084	16	150	6,403
Total Miscellaneous Receipts	175	1,816	156	2,320	189	673	542	232	219	1,211	212	590	8,335
Federal Receipts	1	0	0	0	0	0	0	0	0	0	0	(1)	0
PIT in Excess of Revenue Bond Debt Service	1,338	355	1,063	395	266	1,223	420	153	1,135	995	483	1,212	9,038
Tax in Excess of LGAC	212	87	441	234	179	310	232	221	301	240	3	155	2,615
Sales Tax Bond Fund	208	220	293	226	225	306	218	207	288	226	190	287	2,894
Real Estate Taxes in Excess of CW/CA Debt Service	57	73	78	60	78	69	74	60	52	55	59	46	761
All Other	90	66	57	9	17	93	10	25	20	325	182	551	1,445
Total Transfers from Other Funds	1,905	801	1,932	924	765	2,001	954	666	1,796	1,841	917	2,251	16,753
TOTAL RECEIPTS	6,835	5,174	6,816	5,920	3,272	7,364	4,076	2,671	6,933	6,840	4,341	7,533	67,775
DISBURSEMENTS:													
School Aid	282	2,679	1,834	82	597	1,711	783	1,467	1,763	430	546	6,282	18,456
Higher Education	13	14	464	599	139	53	460	39	226	35	338	504	2,884
All Other Education	20	326	15	212	135	478	56	109	97	204	233	249	2,134
Medicaid - DOH	1,100	1,057	897	1,142	770	832	1,022	1,236	806	934	1,081	739	11,616
Public Health	1	75	117	64	78	42	38	52	83	54	89	58	751
Mental Hygiene	5	2	295	1	2	257	2	0	477	12	88	169	1,310
Children and Families	27	96	74	157	60	151	160	69	255	96	69	327	1,541
Temporary & Disability Assistance	98	105	158	104	93	96	93	98	93	93	98	103	1,232
Transportation	0	24	0	0	25	0	0	24	14	0	11	0	98
Unrestricted Aid	0	11	390	2	0	102	9	2	189	4	3	67	779
All Other	22	(13)	198	34	22	(6)	18	50	182	196	186	312	1,201
Total Local Assistance Grants	1,568	4,376	4,442	2,397	1,921	3,716	2,641	3,146	4,185	2,058	2,742	8,810	42,002
Personal Service	447	529	447	602	451	448	527	448	627	468	462	439	5,895
Non-Personal Service	83	147	146	133	151	148	169	172	215	214	247	137	1,962
Total Departmental Operations	530	676	593	735	602	596	696	620	842	682	709	576	7,857
General State Charges	504	648	357	703	145	1,125	421	127	230	430	137	249	5,076
Debt Service	401	(152)	(2)	231	(11)	(99)	144	0	(32)	392	(19)	228	1,081
Capital Projects	9	31	104	(288)	169	181	172	184	425	(257)	(214)	414	930
State Share Medicaid	169	42	67	68	261	147	160	152	147	71	74	280	1,638
SUNY Operations	210	210	210	188	0	0	0	159	0	0	0	0	977
Other Purposes	146	328	462	19	294	534	112	530	435	24	41	685	3,610
Total Transfers to Other Funds	935	459	841	218	713	763	588	1,025	975	230	(118)	1,607	8,236
TOTAL DISBURSEMENTS	3,537	6,159	6,233	4,053	3,381	6,200	4,346	4,918	6,232	3,400	3,470	11,242	63,171
Excess/(Deficiency) of Receipts over Disbursements	3,298	(985)	583	1,867	(109)	1,164	(270)	(2,247)	701	3,440	871	(3,709)	4,604
CLOSING BALANCE	5,533	4,548	5,131	6,998	6,889	8,053	7,783	5,536	6,237	9,677	10,548	6,839	6,839

Source: NYS DOB.

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New York State

Annual Information Statement

June 11, 2014

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Introduction

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Introduction

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

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s Enacted Budget Financial Plan (the “Financial Plan” or “Enacted Budget”) for fiscal year 2015[1] (FY 2015), issued by the Division of the Budget (DOB) in May 2014. The Enacted Budget sets forth the State’s official Financial Plan projections for FY 2015 through FY 2018. It includes, among other things, information on the major components of the General Fund gap-closing plan approved for FY 2015, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State’s operating funds.

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

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

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

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

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

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

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

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

The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2014. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2014, at which time the FY 2014 financial results will be final. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2013 are available in electronic form at www.osc.state.ny.us 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 (www.budget.ny.gov). Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this information. Maintenance of this AIS on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

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

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 bill can be reconsidered in accordance with the rules of each house of the Legislature. If, upon reconsideration, the items are approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

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

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

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[2] See "Exhibit A — Selected State Government Summary" herein for more information on budgetary and accounting practices.

SIGNIFICANT BUDGETARY/ACCOUNTING PRACTICES

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

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

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

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

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

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

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

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

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

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Financial Plan Overview

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Financial Plan Overview

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

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

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

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

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

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

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

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.

GENERAL FUND CASH-BASIS FINANCIAL PLAN

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

- The State ended FY 2014 with a General Fund balance of $2.24 billion, which was $432 million above the estimate in the February 2014 AIS Update. General Fund receipts were $215 million higher than planned, largely reflecting stronger than expected tax collections. General Fund disbursements were $217 million below planned levels, due mainly to lower spending in local assistance and agency operations. In addition, DOB made certain payments at the end of FY 2014, in addition to those planned in February 2014, including approximately $350 million in debt service and $150 million of social services payments. This had the effect of making additional resources available for FY 2015 and thereafter.

- The State used $312 million of the $432 million in excess resources to bolster reserves. At the close of FY 2014, $175 million was deposited into the State's rainy day reserves, bringing the balance to $1.5 billion, or 2.4 percent of FY 2014 General Fund spending. Another $137 million was set aside for debt management purposes, bringing the amount designated for this purpose, and available in FY 2015, to $500 million.

- Of the remaining $120 million in excess resources, $62 million is expected to fund disbursements that were originally expected to occur in FY 2014 but are now budgeted for FY 2015, and $58 million has been transferred to a fiduciary fund established with the FY 2015 Budget to account for proceeds realized from a settlement between J.P. Morgan and the State.

- On March 31, 2014, the Legislature completed final action on the State budget for FY 2015. On April 11, 2014, the Governor completed his review of all budget bills, including the veto of certain line-item appropriations, none of which had a material impact on the Financial Plan. Consistent with past practice, the Legislature enacted the annual debt service appropriations, without amendment, in advance of the other appropriations (the debt service appropriations were passed on March 19, 2014).

- The Enacted Budget Financial Plan for FY 2015 provides for balanced operations on a cash basis in the General Fund, as required by law. The Enacted Budget reflects savings from the continuation of spending controls and cost containment measures put in place in prior years. Funding for agency operations is generally expected to remain level across the Financial Plan period (excluding the timing of cash disbursements in FY 2014). Statutory reserves are expected to remain at the same level as FY 2014.

- During negotiations, the Executive and Legislature agreed to $610 million in gross spending restorations and additions to the Executive Budget proposal described in the February 2014 AIS Update. They also agreed to certain tax law changes that decrease revenues by $220 million in FY 2015, and by lesser amounts in future years, compared to the Executive proposal.

- DOB expects relatively modest economic growth in FY 2015, consistent with other economic forecasters. Total tax receipts in FY 2015, adjusted for the acceleration of certain income tax refunds into FY 2014, are expected to decline by 0.2 percent from FY 2014.

- Personal income tax collections for FY 2014 were inflated by a one-time increase in receipts due to an increase in Federal tax rates beginning in calendar year 2013. This caused taxpayers to realize income in calendar year 2012 to avoid the higher tax rates, which in turn substantially increased the State's tax collections in April 2013. However, it also led to large refund payments by the State throughout the remainder of 2013, as some high income taxpayers realized that they had overpaid in April 2013. DOB anticipated that this situation would reverse itself in 2014. This has occurred but the decline in estimated tax payments in April 2014 was greater than forecast in the February 2014 AIS Update. At the same time, refund payments were lower than expected. DOB expects that the unanticipated portion of the decline in collections observed in April 2014 will reverse itself later in FY 2015. To manage risks and maintain a conservative receipts forecast, however, DOB is making a net downward revision of $343 million to the General Fund receipts estimate for FY 2015, as described below. This revision is anticipated to be fully offset by other savings and is not expected to impinge on the State's ability to fully meet the commitments in the FY 2015 Enacted Budget for FY 2015 or future budget years.

- DOB has identified $1.2 billion in new resources to fully fund the restorations, additions, tax law changes, and revisions to tax receipts. These include savings from a combination of prepayments in FY 2014, above the level planned in the FY 2015 Executive Budget, and reestimates to estimated disbursements and transfers based on a review of FY 2014 results ($643 million); and management of debt and capital resources including reimbursement, from planned bond sales and existing bond proceeds, of first-instance capital transfers made by the General Fund in prior years ($530 million).

- State Operating Funds spending for FY 2014 totaled $90.6 billion, an increase of 2 percent from FY 2013 results. This is consistent with the 2 percent benchmark for annual spending growth in State Operating Funds.

- The Enacted Budget Financial Plan for FY 2015 limits estimated annual growth in State Operating Funds spending to 1.8 percent, consistent with the 2 percent spending benchmark.

- The aggregate Financial Plan projections for FY 2016 and thereafter set forth in this AIS reflect an assumption that the Governor will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent.

- By adhering to the 2 percent spending benchmark, DOB expects that the State is positioned to fully fund the tax reductions and spending commitments in the FY 2015 Enacted Budget and accrue surpluses in future years, based on updated projections. (The savings that would be achieved if the State adheres to the spending benchmark are labeled in the Financial Plan tables as "Adherence to 2 percent State Operating Funds Spending Benchmark.") Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

GENERAL FUND FINANCIAL PLAN
CASH BASIS
ANNUAL CHANGE
(millions of dollars)

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

Source: NYS DOB.

RECEIPTS

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

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

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

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

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

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

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

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

DISBURSEMENTS

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

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

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

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

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

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

[3] School Aid is reported here on a State Fiscal Year basis.

CLOSING BALANCE

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

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

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

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

PROJECTED GENERAL FUND BUDGET GAPS

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

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

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

Source: NYS DOB.

[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 holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

EXPLANATION OF THE FY 2015 ENACTED BUDGET GAP-CLOSING PLAN

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

FY 2015 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN
SAVINGS/(COSTS)
(millions of dollars)

	FY 2015	FY 2016	FY 2017	FY 2018
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE [1]	**(1,742)**	**(2,889)**	**(2,948)**	**(3,887)**
SPENDING CHANGES	**2,275**	**4,402**	**5,430**	**6,765**
Agency Operations	**494**	**734**	**940**	**1,240**
Executive Agencies	85	194	256	328
Independent Officials	104	233	245	240
Fringe Benefits/Fixed Costs	305	307	439	672
Local Assistance	**1,825**	**1,939**	**2,046**	**1,699**
Human Services Cost of Living Adjustment (COLA)	92	125	127	128
Mental Hygiene	199	368	366	(2)
Health Care	152	98	(43)	(161)
DOH Medicaid	270	448	638	688
Education	450	335	404	526
STAR	172	227	232	286
Social Services/Housing	341	201	228	196
All Other	149	137	94	38
Capital Projects/Debt Management	**671**	**745**	**382**	**409**
Initiatives [2]	**(715)**	**(1,110)**	**(1,323)**	**(1,499)**
Adherence to 2% State Operating Funds Spending Benchmark [3]	**n/a**	**2,094**	**3,385**	**4,916**
SURPLUS AVAILABLE FROM FY 2014	**353**	0	0	0
OTHER RESOURCE CHANGES	**(161)**	**(282)**	**(106)**	**(246)**
Tax Receipts	(450)	(88)	249	311
Other Resource Changes	289	(194)	(355)	(557)
SURPLUS/(GAP) ESTIMATE BEFORE TAX ACTIONS	**725**	**1,231**	**2,376**	**2,632**
Tax Actions	**(725)**	**(928)**	**(1,271)**	**(1,154)**
SURPLUS/(GAP) ESTIMATE AFTER TAX ACTIONS	**0**	**303**	**1,105**	**1,478**

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

2 Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes," "Resource Changes" and "Tax Actions" 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, budgets that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

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

SPENDING CONTROL

AGENCY OPERATIONS

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

- **Executive Agencies:** The Enacted Budget holds personal service and non-personal service spending flat with limited exceptions, such as costs attributable to the phase-in of the New York State of Health marketplace and IT consolidation efforts. Agencies are expected to continue to utilize less costly forms of service deliveries, improve administrative practices and pursue statewide solutions to common problems.

- **Independent Officials:** Spending growth for the Judiciary is expected to support mandated court operations, judicial salary increases, and additional Family Court Judges. Higher spending for the Department of Audit and Control supports additional pre-school special education audits. Spending for the Department of Law is expected to increase in part due to the lower than expected spending in FY 2014. Spending in future years is expected to remain at FY 2015 levels for all independent officials.

- **Fringe Benefits/Fixed Costs:** The FY 2015 and FY 2016 pension costs have been reduced based on a review of FY 2014 operating results and certain pre-payments which decrease spending in these years. Other fringe benefit costs have also been reduced downward based on an analysis of spending trends.

LOCAL ASSISTANCE

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

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

- **Mental Hygiene:** Program spending is reduced to reflect revised forecasts for community-based bed development and expansion; efforts to return individuals from more costly out-of-state placements; and continued efforts to expand community services to reduce institutional costs.

- **Health Care:** Lower spending reflects a downward trend in reimbursement of claims submitted by local governments under the General Public Health Work (GPHW) program and utilizing other insurance for prenatal care services; and lower expected Child Health Plus (CHP) costs as a result of the one-year moratorium on rate increases.

- **DOH Medicaid:** The Enacted Budget includes annual State-share Medicaid savings beginning in FY 2015 achieved under the Medicaid Global Cap. Projected savings result from the continuation of successful Medicaid Redesign Team (MRT) initiatives, improved cash management, and utilization of Federal resources associated with the Affordable Care Act (ACA). In addition, projected annual spending under the Medicaid Global Cap has been adjusted to reflect updated estimates of the medical component of the Consumer Price Index (CPI).

- **Education:** The Enacted Budget includes special education program reforms targeted to improve fiscal practices and service delivery. Estimated spending has also been revised downward based on revised school district data.

- **School Tax Relief:** Spending has been reduced to reflect a reduction in the estimated number of STAR exemption recipients. As part of the State's review of recipient data to ensure unlawful exemptions are excluded from State payments, existing STAR recipients were also required to re-register for their benefit.

- **Social Services/Housing:** Lower spending is expected in several programs, including Child Welfare Services, Adult Protective and Domestic Violence Services, Public Assistance, and Supplemental Security Income (SSI), based on updated claiming data and revised growth (caseload) assumptions.

- **All Other:** Spending reductions are expected to be achieved across multiple functions and program areas including: elimination of certain miscellaneous financial assistance to local governments; utilization of capital financing for eligible homeland security capital needs; revisions to disaster assistance aid; and elimination of certain legislative grants.

CAPITAL PROJECTS/DEBT MANAGEMENT

- The Enacted Budget assumes savings through continued use of competitive bond sales, refundings, consolidation of debt issuances, the timing of bond sales, and other debt management actions. In addition, the state paid $530 million of capital advances in FY 2014 that are expected to be reimbursed in FY 2015. The savings from debt management in FY 2015 and FY 2016 also reflect actual and planned prepayments of debt service. The Enacted Budget does not reflect the use of the $500 million in General Fund resources designated for debt management. DOB expects to make a decision on using those resources, based on market conditions, Financial Plan needs, and other factors.

- In addition, the Enacted Budget includes the use of $30 million for debt service from the Metropolitan Mass Transportation Operating Assistance (MMTOA) account, with $20 million in resources available from the MMTOA account for the same purpose on an annual basis beginning in FY 2016.

INVESTMENTS/INITIATIVES

- The Enacted Budget includes significant spending additions for School Aid, higher education, and human services. During negotiations, the Executive and Legislature agreed to approximately $550 million in distinct new spending additions to the Executive Budget proposal for FY 2015.

- The Enacted Budget also reflects the costs of new capital initiatives. These include:

  - **Smart Schools Bond Act:** If approved by voters, the $2 billion Smart Schools bond act will fund enhanced education technology in schools, with eligible projects including infrastructure improvements to bring high-speed broadband to schools and their communities and the purchase of classroom technology for use by students. Additionally, Smart Schools will enable long-term investments in full day pre-kindergarten through the construction of new pre-kindergarten classroom space, replace classroom trailers with permanent classroom space and make investments in high-tech school safety programs. The debt service costs of the bond act, if approved, are estimated at $126 million beginning in FY 2017 and $156 million in FY 2018.

  - **Health Care Facility Restructuring:** This $1.2 billion initiative is intended to improve the financial viability and efficiency of the State's health care delivery system. Funding is expected to be targeted to long-term care, hospitals, primary care, and behavioral/substance abuse services. Priority projects will include those that: align hospital and nursing home bed capacity to regional needs, enable facility integration, merge and consolidate facilities, expand primary care, and facilitate transformation to care management models. The debt service costs of this initiative are estimated at $5 million in FY 2015, $24 million in FY 2016, $43 million in FY 2017, and $63 million in FY 2018.

RESOURCES

- **Tax Receipts:** The FY 2015 estimate for annual receipts has been revised to reflect updated economic forecast data, and includes downward adjustments to PIT and cigarette tax collections, partly offset by upward changes to business tax and estate tax collections.

- **Other Resource Changes:** The estimate for miscellaneous receipts has been revised based on a review of FY 2014 collections, the projected receipt of various banking and insurance-related settlements and recoveries, and other transactions. In addition, the timing of certain transfers and other transactions at the end of FY 2014 had the effect of making additional resources available for FY 2015.

TAX ACTIONS

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

- **Real Property Tax Credit:** The Enacted Budget freezes property taxes for two years, subject to two conditions. In year one, the State will provide tax credits to homeowners outside of New York City with qualifying incomes of $500,000 or less who live in a jurisdiction that stays within the property tax cap. The tax credits will be extended for a second year in jurisdictions which comply with the tax cap and have put forward a plan to save 1 percent of their tax levy per year, over three years. DOB projects that the property tax freeze will reduce revenues to the State by over $1.5 billion and is expected to benefit as many as 2.8 million taxpayers over the three years that the freeze is in effect.

- **New York City "Circuit Breaker" Tax Credit:** The Enacted Budget creates a refundable tax credit against the PIT to provide targeted tax relief to New York City renters and homeowners based on an individual homeowner’s or renter's ability to pay. This program is structured to provide a greater proportion of benefits to those with the highest property tax and rent burdens as a share of their income. The program's cost is valued at $85 million annually and is expected to benefit over 1.4 million taxpayers for two years.

- **Corporate Tax Reform:** The Enacted Budget combines the corporate franchise and bank taxes to reduce and simplify these taxes. The tax rate on net income has been reduced from 7.1 percent to 6.5 percent, the lowest rate since 1968, and the alternative minimum tax has been repealed.

- **Corporate Capital Base Calculation:** The asset tax is phased out over six years, beginning in 2016.

- **Net Income Tax on Corporate Manufacturers:** The Enacted Budget lowers the tax rate on income for corporate manufacturers from the current 5.9 percent to zero in 2014 and thereafter, to encourage the growth of manufacturing.

- **20 Percent Real Property Tax Credit for Manufacturers:** The Enacted Budget provides a statewide credit equal to 20 percent of property taxes paid by manufacturers who own or lease property.

- **Accelerated Phase Out of 18-a Temporary Assessment:** The Enacted Budget accelerates the phase out of the 18-a temporary assessment over the next three years.

- **Estate Tax:** The exclusion threshold of the estate tax will be increased from $1 million to $5.25 million over a four year phase-in period and will conform to the Federal exemption amount (currently $5.34 million) by January 2019, and is indexed to inflation thereafter. The top rate remains at 16 percent. This action will be coupled with a temporary provision that will require the value of gifts to be added back to the estate.

- **Resident Trust Loophole:** New York beneficiaries of exempt resident trusts will be required to pay tax on accumulated income distributed to such trusts. Furthermore, the income of a particular type of exempt resident trust (known as an incomplete gift, non-grantor trusts) will be taxed to the grantor of the trust.

OTHER MATTERS AFFECTING THE FINANCIAL PLAN

GENERAL

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

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

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

BUDGET RISKS AND UNCERTAINTIES

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

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

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

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

FEDERAL ISSUES

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

MEDICAID REDESIGN TEAM MEDICAID WAIVER

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

FEDERAL REIMBURSEMENT FOR STATE MENTAL HYGIENE SERVICES

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

AUDIT DISALLOWANCE

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

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

BUDGET CONTROL ACT

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

DEBT CEILING

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

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

HEALTH INSURANCE COMPANY CONVERSIONS

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

STATUS OF CURRENT LABOR NEGOTIATIONS (CURRENT CONTRACT PERIOD)

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

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

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

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

LABOR SETTLEMENTS FOR PRIOR CONTRACT PERIODS

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

CURRENT CASH-FLOW PROJECTIONS

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

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

PROJECTED ALL FUNDS MONTH-END CASH BALANCES
FY 2015
(millions of dollars)

	General Fund	Other Funds	All Funds
April Results	5,533	2,042	7,575
May	2,652	3,052	5,704
June	2,602	3,063	5,665
July	2,465	3,402	5,867
August	1,840	3,821	5,661
September	4,159	1,196	5,355
October	2,650	1,640	4,290
November	1,104	2,072	3,176
December	3,116	925	4,041
January	5,155	2,495	7,650
February	5,795	2,935	8,730
March	2,055	1,890	3,945

PENSION AMORTIZATION

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

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

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

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

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

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

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

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

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

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
(millions of dollars)

Fiscal Year	Normal Costs[2]	New Amortized Amounts/Payment on Prior Deferrals	New Amortization Costs	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
Projections:				
2015	2,373.5	(742.6)	305.8	1,936.7
2016	1,706.2	0.0	395.8	2,102.0
2017	1,477.9	117.3	395.8	1,991.0
2018	1,355.8	171.9	364.1	1,891.8
2019	1,315.7	178.7	363.5	1,857.9
2020	1,312.7	96.6	295.0	1,704.3
2021	1,389.1	3.6	207.2	1,599.9
2022	1,455.0	0.0	203.7	1,658.7
2023	1,523.7	0.0	203.7	1,727.4
2024	1,596.0	0.0	180.8	1,776.8
2025	1,671.1	0.0	90.1	1,761.2
2026	1,749.2	0.0	0.0	1,749.2
2027	1,830.6	0.0	0.0	1,830.6
2028	1,915.3	0.0	0.0	1,915.3

Source: NYS DOB.

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

[2] Normal costs include payments from amortizations prior to FY 2011, which will end in FY 2017.

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

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

STATE PENSION COSTS AND AMORTIZATION SAVINGS*
(millions of dollars)

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

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2013, the Annual Required Contribution (ARC) represents the projected annual level of funding that, if set aside on an ongoing basis, is anticipated to cover projected normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

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

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

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

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

FINANCIAL SETTLEMENTS

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

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

J. P. Morgan Securities LLC Settlement

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

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

Litigation

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

Update on Storm Recovery

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

CLIMATE CHANGE ADAPTATION

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

FINANCIAL CONDITION OF NEW YORK STATE LOCALITIES

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

BOND MARKET

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

CAPITAL COMMITMENT PLAN

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

DEBT REFORM ACT LIMIT

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

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

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

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

SECURED HOSPITAL PROGRAM

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for the cost of upgrading their primary health care facilities. In the event of shortfalls in revenues to pay debt service on the Secured Hospital bonds (which include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds) the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2014, there were approximately $351 million of bonds outstanding for this program.

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

SUNY Downstate Hospital and Long Island College Hospital

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

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

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

2014 Legislative Session

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

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State Financial Plan Projections Fiscal Years 2015 Through 2018

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INTRODUCTION

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

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The latter perspective reflects overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Roughly 40 percent of projected State-financed spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, School Aid, higher education, transportation and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

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

SUMMARY

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

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

GENERAL FUND PROJECTIONS

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

[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 holding spending growth are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

STATE OPERATING FUNDS PROJECTIONS

FY 2015 ENACTED BUDGET - STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

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

[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 assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

RECEIPTS

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

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

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

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

OVERVIEW OF THE RECEIPTS FORECAST

FY 2014 HIGHLIGHTS:

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

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

FY 2015 Highlights:

- Base receipts (adjusted for law changes) growth of 3.2 percent; however, after factoring out the acceleration of tax refunds in 2014, tax receipts would decline on an annual basis;

- PIT growth consistent with the estimated wage and personal income growth discussed above, but tempered by April 2014 settlement results that were lower than the prior year, increased refunds generated by the payback of tax credits deferred in Tax Years 2010-2012, and tax cuts included in the Enacted Budget;

- A return to trend taxable consumption growth after the above average growth experienced in FY 2014;

- Another decline in business tax receipts, due primarily to the credit deferral payback and Enacted Budget tax cuts;

- A decline in estate tax receipts generated by Enacted Budget tax cuts; and

- A slowdown in RETT receipt growth consistent with long-term averages.

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

ALL FUNDS RECEIPTS
(millions of dollars)

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

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

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

GENERAL FUND RECEIPTS
(millions of dollars)

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

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

PERSONAL INCOME TAX

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

[1]Excludes Transfers.

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

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

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

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

Withholding in FY 2015 is projected to be $1.8 billion (5.3 percent) higher compared to FY 2014, due mainly to moderate wage growth. Extension payments are estimated to decline by $1.8 billion (35.2 percent) due to a combination of reduced capital gains realizations, relative to tax year 2012, and an adjustment in taxpayer behavior. The capital gains acceleration into tax year 2012 at the expense of tax year 2013 and thereafter, which was done in anticipation of the increase in Federal income tax rates between 2012 and 2013, served to create an inflated extension payments base. This income shifting was coupled with unusually high tax year 2012-related (FY 2014) extension overpayments, leading to a significant tax year 2013-related (FY 2015) extension payments decline. Estimated payments for tax year 2014 are projected to be $604 million (6.4 percent) higher. Final return payments and delinquencies are projected to be $230 million (9.6 percent) lower and $71 million (6 percent) higher, respectively.

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

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

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

	FY 2014 Results	FY 2015 Enacted	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Receipts					
Withholding	33,368	35,149	37,410	39,491	40,905
Estimated Payments	14,637	13,418	14,895	16,119	17,058
Current Year	9,454	10,059	10,947	11,749	12,463
Prior Year*	5,183	3,359	3,948	4,370	4,595
Final Returns	2,395	2,166	2,328	2,530	2,636
Current Year	2,145	1,924	2,074	2,265	2,359
Prior Year*	250	242	254	265	277
Delinquent	1,175	1,246	1,293	1,338	1,391
Gross Receipts	51,575	51,979	55,926	59,478	61,990
Refunds					
Prior Year*	5,367	4,742	5,578	6,377	6,792
Previous Years	554	519	538	538	539
Current Year*	2,078	1,751	1,751	1,750	1,750
Advanced Credit Payment	0	785	783	342	0
State/City Offset*	615	448	448	448	448
Total Refunds	8,614	8,244	9,097	9,455	9,529
Net Receipts	**42,961**	**43,735**	**46,829**	**50,023**	**52,461**

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

USER TAXES AND FEES

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

[1]Excludes Transfers.

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

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

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

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

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

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

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

BUSINESS TAXES

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

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

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

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

Insurance tax receipts are expected to increase 6.2 percent ($90 million) in FY 2015. Strength in premiums growth from authorized insurers as well as unauthorized (excess line brokers) insurers will be only partially offset by the impact of the State's transition of (1) the medical portion of the Empire Plan to self-insurance (effective January 1, 2013) and (2) additional portions of the Empire Plan on January 1, 2014. This transition reduces insurance tax receipts since the State and local governments no longer remit the insurance tax as part of premium payments. Additionally, audits are expected to be higher and refunds lower in FY 2015 than in FY 2014.

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

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

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

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

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

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

OTHER TAXES

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

[1]Excludes Transfers.

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

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

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

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

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

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS

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

All Funds miscellaneous receipts include monies received from the HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses.

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

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

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

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

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

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

DISBURSEMENTS

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

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

LOCAL ASSISTANCE GRANTS

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

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

[1] Reflects preliminary results based on State agency information, which is not audited for accuracy.

EDUCATION

SCHOOL AID

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

SCHOOL YEAR (JULY 1 -JUNE 30)

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

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

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

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

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

	SY 2014	SY 2015	Change	SY 2016	Change	SY 2017	Change	SY 2018	Change
Total	**21,109**	**22,237**	**1,128**	**23,101**	**864**	**24,183**	**1,082**	**25,388**	**1,205**
			5.3%		3.9%		4.7%		5.0%

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

STATE FISCAL YEAR

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

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

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

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

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

OTHER EDUCATION FUNDING

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

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

OTHER EDUCATION
(millions of dollars)

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

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

SCHOOL TAX RELIEF PROGRAM

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

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

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

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

HIGHER EDUCATION

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

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

HIGHER EDUCATION
(millions of dollars)

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

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

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

HEALTH CARE

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

MEDICAID

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

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

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

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

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

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

[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.

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

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

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

[2] FY 2015 HCRA financing includes $30 million for New York State of Health.

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

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

PUBLIC HEALTH/AGING PROGRAMS

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

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

[1] The Federal-State Health Reform Partnership Program expired March 31, 2014.

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

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

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

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

HCRA FINANCIAL PLAN

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

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

HCRA FINANCIAL PLAN FY 2014 THROUGH FY 2018
(millions of dollars)

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

[1] FY 2015 spending will be financed from the Medical Assistance Account.

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

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

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

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

MENTAL HYGIENE

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

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

MENTAL HYGIENE (millions of dollars)

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

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

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

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

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

SOCIAL SERVICES

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

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)

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

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

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

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

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

TRANSPORTATION

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

TRANSPORTATION
(millions of dollars)

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

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

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

LOCAL GOVERNMENT ASSISTANCE

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

LOCAL GOVERNMENT ASSISTANCE (millions of dollars)

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

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

AGENCY OPERATIONS

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

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

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

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

1 Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
2 Reflects workforce that is Subject to Direct Executive Control.
3 As Percent of Salary.

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

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

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

STATE OPERATING FUNDS - AGENCY OPERATIONS
(millions of dollars)

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

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

STATE OPERATING FUNDS
FY 2015 PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,134**	**98,719**
Mental Hygiene Agencies	2,270	33,961
Corrections and Community Supervision	2,090	28,171
State Police	559	5,439
Tax and Finance	275	4,368
Health	264	3,769
Environmental Conservation	177	2,254
Children and Family Services	158	2,595
Financial Services	147	1,299
Parks, Recreation and Historic Preservation	132	1,592
All Other	1,062	15,271
University Systems	**3,586**	**43,606**
State University	3,545	43,339
City University	41	267
Independent Agencies	**1,873**	**18,229**
Law	114	1,578
Audit & Control	110	1,582
Judiciary	1,483	15,069
Legislature [1]	166	0
Total Spending / FTEs	**12,593**	**160,554**

[1] Excludes employees of the Legislature.

Note: CUNY employees are funded primarily through an agency trust fund. This represents approximately an additional 13,376 FTEs.

GENERAL STATE CHARGES

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

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

GENERAL STATE CHARGES
(millions of dollars)

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

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

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

A significant portion of the capital and operating expenses of DOT and the Department of Motor Vehicles (DMV) are funded from the DHBTF. The Fund receives various dedicated tax and fee revenues, including the petroleum business tax, motor fuel tax, and highway use taxes. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on certain transportation bonds – exceed current and projected revenue deposits and bond proceeds.

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., Empire State Development (ESD), DASNY, and the Thruway Authority, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)

	FY 2014 Results	FY 2015 Enacted	Annual Change	Percent Change
General Fund	**1,972**	**1,081**	**(891)**	**-45.2%**
Other State Support	4,428	4,567	139	3.1%
State Operating/All Funds Total	**6,400**	**5,648**	**(752)**	**-11.8%**

Total debt service is projected at $5.6 billion in FY 2015, of which approximately $1.1 billion is paid from the General Fund through transfers, and $4.6 billion from other State funds. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

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

FINANCIAL PLAN TABLES

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

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2015 THROUGH FY 2018
(millions of dollars)

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

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2015
(millions of dollars)

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

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
Receipts:				
Taxes	45,436	8,522	18,886	72,844
Miscellaneous Receipts	2,980	16,145	433	19,558
Federal Receipts	0	1	73	74
Total Receipts	48,416	24,668	19,392	92,476
Disbursements:				
Local Assistance Grants	44,827	19,314	0	64,141
Departmental Operations:				
Personal Service	5,986	6,845	0	12,831
Non-Personal Service	2,010	3,726	43	5,779
General State Charges	5,322	2,191	0	7,513
Debt Service	0	0	5,908	5,908
Capital Projects	0	1	0	1
Total Disbursements	58,145	32,077	5,951	96,173
Other Financing Sources (Uses):				
Transfers from Other Funds	16,947	8,177	4,104	29,228
Transfers to Other Funds	(8,998)	(754)	(17,532)	(27,284)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,949	7,423	(13,428)	1,944
Use (Reservation) of Fund Balance:				
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	2,094	0	0	2,094
Net Surplus (Deficit)	303	14	13	330

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

Source: NYS DOB.

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

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

Source: NYS DOB.

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

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

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

Source: NYS DOB.

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

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
Receipts:					
Taxes	45,436	8,522	1,349	18,886	74,193
Miscellaneous Receipts	2,980	16,331	5,470	433	25,214
Federal Receipts	0	44,776	1,685	73	46,534
Total Receipts	48,416	69,629	8,504	19,392	145,941
Disbursements:					
Local Assistance Grants	44,827	60,238	2,635	0	107,700
Departmental Operations:					
Personal Service	5,986	7,528	0	0	13,514
Non-Personal Service	2,010	4,738	0	43	6,791
General State Charges	5,322	2,518	0	0	7,840
Debt Service	0	0	0	5,908	5,908
Capital Projects	0	1	7,115	0	7,116
Total Disbursements	58,145	75,023	9,750	5,951	148,869
Other Financing Sources (Uses):					
Transfers from Other Funds	16,947	7,834	1,545	4,104	30,430
Transfers to Other Funds	(8,998)	(2,425)	(1,508)	(17,532)	(30,463)
Bond and Note Proceeds	0	0	1,120	0	1,120
Net Other Financing Sources (Uses)	7,949	5,409	1,157	(13,428)	1,087
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(11)	0	0	0	(11)
Total Use (Reservation) of Fund Balance	(11)	0	0	0	(11)
Adherence to 2% State Operating Funds Spending Benchmark*	2,094	0	0	0	2,094
Net Surplus (Deficit)	303	15	(89)	13	242

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

Source: NYS DOB.

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	47,746	8,732	1,345	19,976	77,799
Miscellaneous Receipts	2,790	16,243	4,937	404	24,374
Federal Receipts	0	46,569	1,641	73	48,283
Total Receipts	50,536	71,544	7,923	20,453	150,456
Disbursements:					
Local Assistance Grants	47,077	62,268	2,224	0	111,569
Departmental Operations:					
Personal Service	5,952	7,549	0	0	13,501
Non-Personal Service	2,004	4,578	0	43	6,625
General State Charges	5,470	2,567	0	0	8,037
Debt Service	0	0	0	6,682	6,682
Capital Projects	0	2	6,366	0	6,368
Total Disbursements	60,503	76,964	8,590	6,725	152,782
Other Financing Sources (Uses):					
Transfers from Other Funds	17,710	7,927	1,896	4,454	31,987
Transfers to Other Funds	(10,011)	(2,274)	(1,567)	(18,167)	(32,019)
Bond and Note Proceeds	0	0	415	0	415
Net Other Financing Sources (Uses)	7,699	5,653	744	(13,713)	383
Use (Reservation) of Fund Balance:					
Prior-Year Labor Agreements (2007-2011)	(12)	0	0	0	(12)
Total Use (Reservation) of Fund Balance	(12)	0	0	0	(12)
Adherence to 2% State Operating Funds Spending Benchmark*	3,385	0	0	0	3,385
Net Surplus (Deficit)	1,105	233	77	15	1,430

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

Source: NYS DOB.

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

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

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

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2015
(dollars in millions)

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

Source: NYS DOB.

**AUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
WITH REPORT OF INDEPENDENT AUDITORS**

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KPMG

WYCKOFF HEIGHTS MEDICAL CENTER

Consolidated Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

WYCKOFF HEIGHTS MEDICAL CENTER

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KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Trustees
Wyckoff Heights Medical Center
Brooklyn, New York:

We have audited the accompanying consolidated financial statements of Wyckoff Heights Medical Center (the Medical Center), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of operations and net asset deficiency and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wyckoff Heights Medical Center as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming that the Medical Center will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Medical Center has incurred losses from operating and nonoperating activities in recent years and has net working capital and net asset deficiencies that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating statement of financial position and consolidating statement of operations as of and for the year ended December 31, 2013 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The supplementary summarized comparative totals as of and for the year ended December 31, 2012, have been derived from supplementary information audited by us, whose report thereon dated June 14, 2013, expressed an unmodified opinion on the supplementary information.

KPMG LLP

June 25, 2014

WYCKOFF HEIGHTS MEDICAL CENTER

Consolidated Statements of Financial Position

December 31, 2013 and 2012

(In thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	$	5,852	7,952
Patient accounts receivable, net of allowance for uncollectible accounts of $50,726 in 2013 and $56,141 in 2012		25,511	32,152
Other receivables, net		6,595	7,510
Due from third-party payors		4,599	17,055
Inventories and other current assets		5,828	5,016
Due from related organizations		108	106
Assets limited or restricted as to use – current portion		10,861	10,874
Other		230	419
Total current assets		59,584	81,084
Property, buildings, and equipment, net		55,980	60,252
Assets limited or restricted as to use under bond indenture, net of current portion		8,762	8,566
Board designated – self-insured malpractice fund		3,565	—
Due from third-party payors – long term		1,528	—
Insurance claims receivable		25,405	27,000
Total assets	$	154,824	176,902
Liabilities and Net Asset Deficiency			
Current liabilities:			
Accounts payable and accrued expenses	$	37,739	48,572
Accrued salaries and related liabilities		13,325	17,125
Current portion of due to third-party payors		11,994	20,830
Accrued interest payable		1,784	1,755
Current portion of long-term debt		7,954	8,094
Current portion of estimated professional liabilities		1,775	961
Current portion of Caritas settlement		2,280	—
Due to related organization		1,293	1,217
Deferred revenue		1,054	—
Total current liabilities		79,198	98,554
Long-term liabilities:			
Due to third-party payors, less current portion		24,852	21,407
Long-term debt, less current portion		84,552	92,116
Estimated self-insured professional liabilities, less current portion		33,732	36,760
Estimated insured professional liabilities		25,405	27,000
Caritas settlement, less current portion		4,988	—
Total liabilities		252,727	275,837
Commitments and contingencies			
Net asset deficiency – unrestricted		(97,903)	(98,935)
Total liabilities and net asset deficiency	$	154,824	176,902

See accompanying notes to consolidated financial statements.

WYCKOFF HEIGHTS MEDICAL CENTER

Consolidated Statements of Operations and Net Asset Deficiency

Years ended December 31, 2013 and 2012

(In thousands)

		2013	2012
Unrestricted revenue, gains, and other support:			
Net patient service, before bad debts	$	259,571	263,166
Provision for bad debts, net		(18,215)	(17,000)
Net patient service revenue less provisions for bad debts		241,356	246,166
Physician service revenue		20,474	17,955
Grants		4,407	3,648
Medical training program		6,460	8,094
Other revenue (note 14(b))		3,982	4,877
Total operating revenue		276,679	280,740
Operating expenses:			
Salaries and wages		141,269	145,789
Employee benefits		42,999	41,816
Supplies and other		77,421	75,426
Interest and amortization of financing fees		5,759	4,911
Depreciation and leasehold improvement amortization		9,057	9,104
Total operating expenses		276,505	277,046
Excess of revenue over expense from operations		174	3,694
Nonoperating revenue and expenses:			
Investment income		109	74
Other expenses		—	12
Total nonoperating revenue and expenses		109	86
Excess of total revenue over total expenses		283	3,780
Other changes in net asset deficiency:			
Grant for capital purchases		749	661
Decrease in net asset deficiency		1,032	4,441
Net asset deficiency, beginning of year		(98,935)	(103,376)
Net asset deficiency, end of year	$	(97,903)	(98,935)

See accompanying notes to consolidated financial statements.

WYCKOFF HEIGHTS MEDICAL CENTER

Consolidated Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands)

		2013	2012
Cash flows from operating activities:			
Change in unrestricted net asset deficiency	$	1,032	4,441
Adjustments to reconcile change in unrestricted net asset deficiency to net cash provided by operating activities:			
Depreciation and leasehold improvement amortization		9,057	9,104
Provision for bad debts		18,215	17,000
Changes in assets and liabilities:			
Patient accounts receivable		(11,574)	(18,061)
Other receivables, net		915	3,583
Due to/from third-party payors		5,537	4,988
Inventories and other current assets		(812)	(1,978)
Due to/from related organizations		74	352
Accounts payable and accrued expenses		(10,833)	9,097
Accrued salaries and related liabilities		(3,800)	951
Accrued interest payable		29	28
Estimated self-insured professional liabilities		(2,214)	(7,397)
Caritas settlement		7,268	—
Amortization of deferred financing fees		189	—
Deferred revenue		1,054	(4,363)
Net cash provided by operating activities		14,137	17,745
Cash flows from investing activities:			
Purchases of assets limited as to use		(49,271)	(47,462)
Sale of assets limited as to use		49,088	46,996
Acquisition of property, buildings, and equipment, net		(4,785)	(7,316)
Board designated – self-insured malpractice fund		(3,565)	—
Net cash used in investing activities		(8,533)	(7,782)
Cash flows from financing activity:			
Repayments of long-term debt		(7,704)	(6,718)
Net cash used in financing activity		(7,704)	(6,718)
Net increase (decrease) in cash and cash equivalents		(2,100)	3,245
Cash and cash equivalents, beginning of year		7,952	4,707
Cash and cash equivalents, end of year	$	5,852	7,952
Supplemental disclosure of cash flow information:			
Cash paid for interest and financing fees	$	5,730	4,855
Assets acquired under capital leases		299	1,364

See accompanying notes to consolidated financial statements.

(1) Nature of Organization and Principles of Consolidation

(a) Operating Activity

Wyckoff Heights Medical Center (Wyckoff or the Medical Center) is a tax-exempt organization, which was incorporated under New York State not-for-profit corporation law for the purpose of providing healthcare services primarily to residents of the Brooklyn and Queens, New York areas. Effective December 21, 2006, Brooklyn-Queens Health Care, Inc. (BQHC), formerly known as Wyckoff Heights Medical Center Properties, became the sole member of the Medical Center and of Caritas Health Care, Inc. (Caritas). Caritas filed a voluntary petition of relief under Chapter 11 of the Federal bankruptcy laws in February 2009 and ceased operations on March 6. 2009 (note 3(p)). Through December 31, 2011, the Medical Center was an affiliate of the New York-Presbyterian Healthcare System. The affiliation agreement was ended as of January 1, 2012 by mutual agreement.

(b) Principles of Consolidation

The Medical Center consolidates the operations of its tax-exempt and taxable subsidiaries, which are as follows:

Tax-exempt

- Stockholm Obstetrics and Gynecological Services, P.C. (Stockholm)
- Wyckoff Medical Services, P.C. (Wyckoff Medical)
- Wyckoff Heights Dental Services, P.C. (Wyckoff Dental)
- Wyckoff Orthopedic, P.C. (Wyckoff Orthopedic)
- Wyckoff Anesthesia Medical Services, P.C. (Wyckoff Anesthesia)
- Wyckoff Heights Medical Center Foundation (Wyckoff Foundation)
- Wyckoff Neonatal Services, P.C. (Wyckoff Neonatal)
- Wyckoff Imaging Services, P.C. (Wyckoff Imaging)
- Wyckoff Family Medical Services, P.C. (Wyckoff Family Medical)

Taxable

- Wyckoff Practice Management Corporation (Wyckoff Practice Management)
- Wyckoff Emergency Medicine Services, P.C. (Wyckoff Emergency Medicine)
- Wyckoff Surgical Services, PC (Wyckoff Surgical)
- Stephen Carryl, P.C.
- Preferred Health Ventures Pharmacy (inactive)
- Preferred Health Ventures Placement (inactive)
- Preferred Health Ventures Properties (inactive)

The consolidated financial statements include the accounts of the Medical Center and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Going Concern

At December 31, 2013 and 2012, the Medical Center had a working capital deficiency of approximately \$19.6 million and \$17.5 million, respectively, and a net asset deficiency of approximately \$97.9 million and \$98.9 million, respectively. The Medical Center has also incurred recurring losses from operating and nonoperating activities in recent years. While the Medical Center has reflected small operating profits in the past two years, as discussed in note 3 there were significant changes in estimate related to estimated self-insured professional liabilities in fiscal 2013 and 2012. In the absence of these changes in estimate, both fiscal 2013 and 2012 would have reflected operating losses.

Management plans to include identifying revenue enhancements and cost reductions and is developing strategies to improve the Medical Center’s financial condition. This includes revenue cycle improvements for billings and collections of patient revenue, workforce reductions, and settlements with vendors. However, there can be no assurance that management’s plans will be sufficient or timely enough to generate sufficient cash to meet its operating needs and achieve financial stability for the Medical Center. These uncertainties raise substantial doubt about the Medical Center’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets and classification of liabilities that may result from the outcome of this uncertainty.

(3) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates included in the preparation of the consolidated financial statements relate to the allowance for doubtful accounts, estimated settlements with third-party payors, malpractice liabilities, and the recoverability and useful lives of long-lived assets. Actual results could differ from those estimates. Changes in prior year estimates included within the consolidated statements of operations and net asset deficiency increased excess of revenue over expenses from operations by approximately \$8.6 million and \$13.2 million, for the years ended December 31, 2013 and 2012, respectively. Included in the changes are \$3.8 million and \$11.1 million, respectively, related to self-insured professional liabilities of prior periods.

(c) ***Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 – Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Valuations based on unobservable inputs reflecting the Medical Center's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At December 31, 2013 and 2012, the fair value of the Medical Center's financial instruments including cash and cash equivalents, patient accounts receivable, accounts payable, and accrued expenses, approximated book value due to the short maturity of these instruments.

Refer to note 5 for the disclosures of investments measured at fair value.

(d) ***Cash and Cash Equivalents***

The Medical Center classifies as cash and cash equivalents all highly liquid investments with maturities of three months or less when purchased, which are not deemed to be assets limited as to use.

(e) ***Patient Accounts Receivable***

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Patient accounts receivable are recorded at the reimbursement or contracted amount, and are based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid healthcare coverage, and other collection indicators. Accounts deemed uncollectible, and written off, are deducted from the allowance for doubtful accounts. Revisions in reserve for doubtful accounts estimates are recorded as an adjustment to bad debt expense.

(f) ***Inventories***

Inventories consist of medical supplies valued at the lower of cost or market with cost determined using the first-in, first-out method and with market defined as the lower of replacement cost or realizable value.

(g) Assets Limited as to Use

Assets limited as to use represent assets whose use is restricted for specific purposes under internal designation or terms of debt indentures or other agreements. Amounts required to meet current liabilities are reported as current assets.

(h) Deferred Financing Fees

Deferred financing fees represent costs incurred to obtain financing. These costs are amortized using the effective-interest method over the term that the related debt is outstanding.

(i) Property, Buildings, and Equipment

Property, buildings, and equipment purchased are recorded at cost and those acquired by gifts and bequests are recorded at appraised or market value established at the date of contribution. Assets acquired under capitalized leases are recorded at the present value of the future minimum lease payments at the inception of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of all assets. Equipment acquired through capital lease obligations is amortized using the straight-line method over the lesser of the estimated useful life of the asset or lease term. The carrying amounts of the assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations. The estimated useful lives of the assets are as follows:

Leasehold improvements, buildings, and improvements	8 to 40 years
Movable equipment	5 to 20 years
Fixed equipment	5 to 15 years

(j) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated fair value of the asset as determined by an independent third party. If the carrying amount of an asset exceeds its fair value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Medical Center has not deemed any long-lived assets to be impaired at December 31, 2013 and 2012.

Assets to be disposed of would be separately presented in the consolidated statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated statements of financial position.

(k) Estimated Self-Insured Liabilities

The provision for estimated self-insured malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Medical Center, when evaluating probable losses relating to malpractice claims, reviews the latest information available. When the latest information indicates the probable loss is within a range of amounts, the most likely amount of the loss in the range is accrued.

(l) Deferred Revenue

Deferred revenue consists of advance payments related to government grant funded programs.

(m) Classification of Net Asset Deficiency

The Medical Center's net asset deficiency is classified as unrestricted. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors.

(n) Net Patient Service Revenue

The Medical Center has agreements with its third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

(o) Functional Expenses

The Medical Center's program services consist of providing healthcare and related services to residents within its geographic location. Operating expenses related to providing these services are as follows (in thousands):

		2013	2012
Healthcare and related services	$	185,944	186,308
Program support and general services		90,561	90,738
	$	276,505	277,046

(p) Caritas Related Expenses

During 2013, the Medical Center entered into a settlement agreement with certain creditors of Caritas who had made claims against the Medical Center in connection with the bankruptcy, principally related to claims by medical schools that had claims against Caritas. The agreement calls for two down payments of $750,000, the first to be made in the fourth quarter 2013 and the second to be made in the first quarter of 2014, as well as fixed monthly installments thereafter through

December 31, 2017, with total payments approximating $8.675 million. As of December 31, 2013, the Medical Center recorded the present value of the settlement at $7.3 million, of which $2.3 million represents the current portion and is included in current portion of Caritas settlement in the consolidated statements of financial position and the remaining $5.0 million is included in Caritas settlement, less current portion in the consolidated statements of financial position. As of December 31, 2012, the Medical Center had accrued $8.4 million associated with Caritas related liabilities.

(q) Uncompensated Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Medical Center does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue. For the years ended December 31, 2013 and 2012, the estimated cost of charity care was approximately $1.2 million and $1.1 million, respectively. The estimated cost of charity care includes the direct and indirect costs of providing charity care services and is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

For patients who were determined by the Medical Center to have the ability to pay but did not, the uncollected amounts are recorded as bad debt expense. Distinguishing between bad debt and charity care is difficult in part because services are often rendered prior to full evaluation of patient's ability to pay. For the years ended December 31, 2013 and 2012, the provision for bad debts was approximately $18.2 and $17.0 million, respectively.

(r) Excess of Revenue over Expenses

The excess of revenue over expenses includes results from all healthcare operations and excludes grants received for capital purchases.

(s) Tax Status

The Medical Center and certain subsidiaries were incorporated in the State of New York and have been exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements. There was no unrelated business income for the years ended December 31, 2013 and 2012. The taxable subsidiaries' operations are not material for the calculation of a tax liability.

The Medical Center does not believe there are any material uncertain tax positions, and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Medical Center has filed for and received income tax exemptions in the jurisdictions where required.

(t) Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications have no effect on net income previously reported.

(4) Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of who are local residents and are insured under various third-party arrangements. Significant concentrations of net patient accounts receivable from patients and third-party payors are as follows:

	2013	2012
Medicare (including Medicare managed care)	32%	26%
Medicaid (including Medicaid managed care)	38	38
Commercial and other payors	27	34
Self-pay	3	2
	100%	100%

For patient accounts receivable associated with self-pay patients, which includes those patients without insurance coverage and patients with deductibles and copayment balances for which third-party coverage exists for a portion of the bill, the Medical Center records a significant provision for bad debts for patients that are unable or unwilling to pay for the portion of the bill representing their financial responsibility.

The following table sets forth the components of change in the allowance for doubtful accounts for the year ended December 31 (in thousands):

	2013			
Primary payor	Balance at the beginning of the period	Provision for bad debts	Write-offs, net of recoveries	Balance at the end of the period
Medicare (including managed Medicare)	$ (10)	(410)	531	111
Medicaid (including managed Medicaid and Medicaid pending)	(172)	(58)	76	(154)
Commercial and managed care	(700)	(1,372)	1,780	(292)
Self-pay and other fee for service	(55,259)	(16,375)	21,243	(50,391)
Grand total	$ (56,141)	(18,215)	23,630	(50,726)

	2012			
Primary payor	Balance at the beginning of the period	Provision for bad debts	Write-offs, net of recoveries	Balance at the end of the period
Medicare (including managed Medicare)	$ (8)	(3)	1	(10)
Medicaid (including managed Medicaid and Medicaid pending)	(141)	(52)	21	(172)
Commercial and managed care	(572)	(212)	84	(700)
Self-pay and other fee for service	(45,195)	(16,733)	6,669	(55,259)
Grand total	$ (45,916)	(17,000)	6,775	(56,141)

Net patient service revenue (after contractual allowances and discounts), recognized during the years ended December 31, 2013 and 2012 from the Medical Center's major payor sources are as follows:

	2013				
	Medicare	Medicaid	Commercial and managed care	Self-pay and other fee for service	Total all payors
Net patient service revenue (after contractual allowances and discounts)	$ 57,839	100,768	90,714	10,250	259,571

	2012				
	Medicare	Medicaid	Commercial and managed care	Self-pay and other fee for service	Total all payors
Net patient service revenue (after contractual allowances and discounts)	$ 65,600	105,116	85,896	6,554	263,166

(5) Fair Value Measurements

The Medical Center measures its assets limited as to use in the form of marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used, which prioritizes the inputs in the valuation methodologies in measuring fair value.

Assets limited as to use consist of U.S. Treasury bills and notes and are fair valued based on Level 1 of the fair value hierarchy. There were no Level 2 or Level 3 securities at December 31, 2013 and 2012 and not transfers between levels.

(6) Assets Limited or Restricted as to Use

The components of the balance at December 31, 2013 and 2012 are classified in the consolidated statements of financial position as follows (in thousands):

		2013	2012
Cash and cash equivalents	$	2	927
U.S. Treasury bills and notes		19,621	18,513
		19,623	19,440
Less current portion		10,861	10,874
Assets limited or restricted as to use, net of current portion	$	8,762	8,566

Included within assets limited or restricted as to use under bond indenture are assets held by a trustee. At December 31, 2013 and 2012, the assets are held for the following purposes under the Medical Center's Secured Hospital Revenue Refunding Bonds Series 1998H indenture agreement (in thousands):

		2013	2012
Capital reserve fund	$	11,066	11,066
Debt service fund		8,205	8,020
Rebate fund		290	292
Construction and renewal, replacement, and depreciation funds		62	62
		19,623	19,440
Less current portion		10,861	10,874
Assets limited or restricted as to use, net of current portion	$	8,762	8,566

(Continued)

(7) Property, Buildings, and Equipment

Property, buildings, and equipment, net consist of the following (in thousands):

		2013	2012
Land	$	6,075	6,075
Land improvements		1,409	1,392
Leasehold improvements		314	314
Buildings and improvements		104,601	101,686
Movable equipment		106,772	105,858
Fixed equipment		63,581	62,393
		282,752	277,718
Less accumulated depreciation and amortization		227,553	219,269
		55,199	58,449
Construction in progress		781	1,803
	$	55,980	60,252

Depreciation and amortization amounted to approximately $9.1 million and $9.1 million for the years ended December 31, 2013 and 2012, respectively. Movable equipment includes gross capitalized leases aggregating approximately $6 million and $5.7 million, with $4.3 million and $3.6 million of accumulated amortization at December 31, 2013 and 2012, respectively.

Substantially all property, buildings, and equipment have been pledged as collateral under various debt agreements.

Construction in progress at December 31, 2013 includes renovations to several units in the Medical Center.

(8) Long-Term Debt

Long-term debt consists of the following (in thousands):

		2013	2012
Series 1998H bonds (a)	$	89,595	96,400
Restructuring pool loan (b)		1,086	1,436
Notes payable (c)		—	50
Capitalized lease obligations (d)		1,825	2,324
		92,506	100,210
Less current portion		7,954	8,094
	$	84,552	92,116

(a) Series 1998H Bonds

In 1998, the Medical Center, through the Dormitory Authority of the State of New York (DASNY), issued tax-exempt Secured Hospital Revenue Refunding Bonds, Series 1998H (the Series 1998H Bonds). The Series 1998H Bonds have maturity dates ranging from February 2011 to August 2021 and interest rates ranging from 5.0% to 5.3% and are secured by a first mortgage lien on the Medical Center's property, buildings, and equipment and substantially all other assets. Additional security is provided through the Secured Hospital Program, a special bond financing program, which effectively implements a service agreement between New York State (the State) and DASNY that calls for the State to make payments, if required, at amounts equal to the principal and interest, subject to annual appropriations made by the State Legislature.

Pursuant to the bond documents and related mortgage agreement, the Medical Center is required to maintain a capital reserve fund, a debt service fund, and other funds whose use is limited to debt repayments, capital asset acquisitions, and related items. The funds consist principally of U.S. Treasury securities (note 6). The Medical Center is also required to maintain certain financial ratios as well as other covenants.

On May 4, 2011, the Medical Center entered into a forbearance agreement with DASNY, whereby DASNY forbore its rights and remedies under the existing loan documents and the arrearage of approximately $15.7 million, including approximately $0.2 million in financing fees. This amount has been added to the end of the existing bond maturities, extending the maturity an additional 18 months. The amount due on the first interest payment date equals accrued interest, of one percent, from the date of the forbearance agreement through January 31, 2012. Payments on the arrearage, including monthly principal and interest at a rate of 1.0%, are estimated to begin in September 2021, after the original maturity of the 1998H bonds.

Pursuant to the bond documents and the May 2011 forbearance agreement, between the Medical Center and DASNY, the current portion of the Series 1998H Bonds at December 31, 2013 and 2012 has been restructured and is approximately $7.2 million and $6.8 million, respectively. As of December 31, 2013, the Medical Center was in compliance with debt covenants.

Required principal payments on the Series 1998H Bonds for the next five years and thereafter consist of the following (in thousands):

Year ending December 31:		
2014	$	7,155
2015		7,530
2016		7,920
2017		8,335
2018		8,780
Thereafter		49,875
	$	89,595

(b) Restructuring Pool Loan

During January 2002, the Medical Center obtained a $4.9 million Restructuring Pool Loan (the Loan), through DASNY, with an interest rate of 1.0%, in conjunction with the New York State Department of Health. The Reimbursement Agreement for the Loan provides for repayment over a 36-month period.

In August 2009, the Medical Center obtained an additional $1.0 million, through DASNY, with an interest rate of 1.0%. This additional loan provides for repayment of $100,000 over a 10-month period.

In August 2011, these amounts were consolidated into one loan with DASNY, with monthly payments, bearing interest at 1%, beginning in March 2012, and commencing in February 2017.

Required principal payments this consolidated loan for the next five years and thereafter consist of the following (in thousands):

Year ending December 31:		
2014	$	352
2015		356
2016		359
2017		19
2018		—
Thereafter		—
	$	1,086

During the first quarter 2014, the Medical Center received a HEAL grant from the New York State Department of Health in the amount of $1,054,000, which funds were granted for and used to pay the remaining outstanding balance of the Restructuring Pool Loan.

(c) Capitalized Lease Obligations

The Medical Center capital leases, which are secured by the underlying equipment, require monthly payments of principal and interest. Interest rates related to the capitalized leases are at various rates ranging from approximately 0.6% to 11.9% with payments scheduled as follows (in thousands):

Year ending December 31:		
2014	$	702
2015		559
2016		447
2017		340
2018		54
		2,102
Less amount representing interest		277
Present value of future minimum lease payments		1,825
Less current portion		447
	$	1,378

(9) Pension Plans

On November 1, 2007, the Board of Trustees of the Medical Center approved a resolution, which resulted in an amendment to the noncontributory defined-contribution plan, effective January 1, 2008. The amendment provided that the noncontributory defined-contribution plan ceased and was converted to a profit sharing plan (the Plan). The Medical Center can make discretionary contributions into the Plan each year, which shall be determined annually by the Board of Trustees, with separate contribution determinations made for each employment classification as specified in the Plan. There were no contributions to the Plan for the years 2013 and 2012.

On June 28, 2007, the Executive Committee of the Medical Center and the Board of Trustees of Caritas passed resolutions for the adoption of and participation in the Plan by Caritas for its eligible employees, effective January 1, 2007. The Plan is for substantially all full-time employees that meet certain minimum age and service requirements and who are not covered by union-sponsored plans.

The Medical Center included in accrued salaries its noncontributory defined-contribution pension obligations of the unfunded amounts related to the 2007 plan year of $0.9 million for the year ended December 31, 2012, which amount includes the unfunded portion relating to Caritas' employees for that same year. The Medical Center as the plan sponsor has the obligation to pay unfunded amounts related to Caritas.

On March 14, 2008, the Medical Center submitted a request for waiver of a $6.1 minimum funding standard to the IRS for the 2007 plan year, which funding was due by September 2008 (the due date). The request for waiver has not yet been approved. However, based on advice from legal counsel, the Medical Center began making monthly payments of $100,000 commencing in May 2009 with a final payment in August 2013 of approximately $705,000. Total payments amounted to $6,135,000, the minimum funding standard. The Medical Center has included an estimate of $1.5 million of additional funding, if required, related to investment earnings that might be deemed accrued to plan participants from the due date, in accrued salaries in the accompanying consolidated statements of financial position for the years ended December 31, 2013 and 2012. Such required funding, if any, cannot be determined until the Medical Center receives a final determination from the IRS on its waiver request.

Union employees are generally included in the pension, health, and welfare plans of their collective bargaining units. Under these plans, the Medical Center is required to make payments based on contractual amounts. Expenses incurred under these plans were approximately $27.1 million and $25.3 million for the years ended December 31, 2013 and 2012, respectively.

The Medical Center participates in two major multiemployer union pension plans, covering substantially all employees not eligible for the Medical Center's plan.

Local 1199

The Employee Identification Number/three-digit Pension Plan number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at both December 31, 2013 and 2012, which is for the plan years ended December 31, 2012 and 2011, respectively. The zone status is based on information that the Medical Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The expiration date of the collective-bargaining agreement requiring contributions to the plan is April 30, 2015. The contributions by the Medical Center to the union pension fund were $4.2 million and $3.5 million for the years ended December 31, 2013, and 2012, respectively. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

NYSNA

The Employee Identification Number/three-digit Pension Plan number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at both December 31, 2013 and 2012, which is for the plan years ended December 31, 2012 and 2011, respectively. The zone status is based on information that the Medical Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The expiration date of the collective-bargaining agreement requiring contributions to the plan is December 31, 2013. The contributions by the Medical Center to the union pension fund were $2.8 million, and $3.2 million for the years ended December 31, 2013, and 2012, respectively. There have been no significant changes that affect the comparability of 2013 and 2012 contributions.

If the Medical Center were to withdraw from the plan or should the plan be terminated, the Medical Center could be liable for a proportionate share of the unfunded actuarial present value of plan benefits at the date of withdrawal or termination.

(10) Professional Liabilities Insurance

The Medical Center was self-insured for its primary professional liabilities for the period April 1, 1979 through May 31, 1997.

For the period from June 1, 1997 to May 31, 1998, the Medical Center purchased primary and excess professional liability insurance from a commercial carrier.

Effective June 1, 1998 through September 17, 2004, the Medical Center purchased occurrence-based primary and multiple layers of excess professional and general liability insurance from commercial insurance carriers and Network Insurance Company Ltd. (NICL), an offshore captive insurance company that was affiliated with New York-Presbyterian Healthcare System. Effective September 18, 2004, the Medical Center began a self-insurance program for its primary layer of professional liability. In 2005, the Medical Center retroactively discontinued its initial layer of excess professional liability coverage, provided by NICL, effective September 18, 2004, and assumed this exposure through its self-insurance program through the present.

Professional liability and other claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing and some have been or may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims, and other claims may be asserted arising from services provided to patients in the past. It is the opinion of the Medical Center's management, based on prior experience and the advice of legal counsel, that the ultimate resolution of professional liability claims will not significantly impact the Medical Center's consolidated financial position.

The Medical Center records estimated liabilities related to professional liability claims occurring during self-insured periods for asserted and unasserted claims and for claims incurred but not reported. Such estimates are based upon valuations prepared by consulting actuaries and the advice of legal counsel. Actuarial valuations are based upon complex calculations, which utilize factors such as historical claim experience and related industry factors, trending models, estimates for the payment patterns of future claims, and present value discounting factors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Revisions to estimated amounts resulting from actual experience differing from projected expectations are recorded in the period the information becomes known. Estimated undiscounted professional liabilities at December 31, 2013 and 2012 aggregating approximately $35.5 million and $37.7 million, respectively, have been recorded in the accompanying consolidated statements of financial position.

The Medical Center utilizes a revocable self-insurance trust fund for purposes of funding its self-insurance program. At December 31, 2013, the board of directors had designated $3.6 million for estimated self-insured professional liabilities as assets limited or restricted as to use.

The Medical Center has also recorded its estimated of insured malpractice claims associated with its employed physicians and the related amount of insurance recoverable, which totaled $25.4 million and $27 million as of December 31, 2013 and 2012, respectively.

(11) Related Organization and Affiliates

The following balances are due from the Medical Center's related organization and affiliates (in thousands):

		2013	2012
Garity Post (a)	$	117	117
Other		(9)	(11)
Due from related organization and affiliates	$	108	106

The following balances are due to the Medical Center's related organization and affiliates (in thousands):

		2013	2012
Preferred Health Network, Inc. (PHN) (b)	$	469	469
Network Recovery Services, Inc. (NRS) (c)		344	344
Wyckoff Foundation (d)		319	232
Preferred Health Ventures Placement (e)		161	172
Due to related organization and affiliates	$	1,293	1,217

(a) Represent employee salaries and benefits paid by the Medical Center in 2008 and 2007 on behalf of Garity Post.

(b) At December 31, 2013 and 2012, the amount due to PHN represents the unpaid balance of a number of transactions relating to 1997 and prior years, including rent of office space, shared services, and severance obligations.

(c) NRS was incorporated for the purpose of serving as a collection agency. Amounts due to NRS represent fees for collection services.

(d) Wyckoff Foundation (the Foundation) is a not-for-profit organization, recognized under Section 501(c)(3) of the internal revenue code, as an organization that is exempt from federal income taxes. The purpose of the Foundation is to solicit, accept, and receive real and personal property and to collect the related income to be applied exclusively for the Medical Center.

(e) Preferred Health Ventures Placement is an employment, temporary nursing agency.

(12) Commitments

The Medical Center leases office space and equipment under noncancelable operating leases requiring aggregate future minimum rental payments as follows (in thousands):

Year ending December 31:		
2014	$	1,772
2015		1,297
2016		828
2017		515
2018		494
Thereafter		4,273
	$	9,179

Rent expense for the years ended December 31, 2013 and 2012 amounted to approximately $2.4 million and $2.2 million, respectively. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 420, *Exit or Disposal Cost Obligations*, the Medical Center recorded a liability covering rental payments due through the end of the lease, which was terminated early. Included in accrued expenses at December 31, 2013 and 2012 is approximately $0.3 million and $1.4 million, respectively, related to the lease exit cost.

(13) Contingencies

At December 31, 2013 and 2012, respectively, approximately 71% and 72% of the Medical Center’s employees were union employees covered by collective bargaining agreements.

The Medical Center is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Management and legal counsel are of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Medical Center’s consolidated financial statements.

In addition, the Medical Center has several government investigations ongoing. The Medical Center has received subpoenas from the Brooklyn District Attorney office and U.S. Attorney Office of the Eastern District of New York in connection with certain criminal investigations relating to the Medical Center and certain former officers of the Medical Center. The Medical Center is cooperating with such investigations and no claims have been asserted against the Medical Center arising out of the investigations to date. The Board of Trustees is monitoring these matters with the assistance of independent counsel. If either of these investigations results in a legal proceeding, it could have a material adverse effect on the Medical Center’s business and results of operations.

(14) Net Patient Service Revenue

(a) Non-Medicare Reimbursement

The New York Health Care Reform Act of 1996 (the Act), as periodically updated, governs nonpayments to hospitals in New York State. Under the Act, Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the New York State Department of Health. Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity, similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with the Medical Center. Such arrangements include DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Medical Center's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the Medical Center based on industry-wide and hospital-specific data.

(b) Medicare Reimbursement

Under the Medicare program, the Medical Center receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the Medical Center inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. Under the outpatient PPS, services are paid based on service groups called ambulatory payment classifications.

Both federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Medical Center has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

For the years ended December 31, 2013 and 2012, respectively, revenue from the Medicare and Medicaid programs (including managed care related revenue) accounted for approximately 78% and 88% of the Medical Center's net patient service revenue. The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse legislation. Recent federal initiatives have prompted a national review of federally funded healthcare programs. The Medical Center has a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Medical Center believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law), which was signed into law on March 23, 2010, will change how healthcare services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital (DSH) payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the Health Reform Law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. The Medical Center is unable to predict the ultimate effect of the changes from the Health Reform Law.

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). These provisions were designed to increase the use of electronic health records (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2012 for eligible hospitals and providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments.

During the year ended December 31, 2013 and 2012, the Medical Center recognized approximately $1.9 million and $2.3 million, respectively, of revenue for HITECH incentives from the Medicare and Medicaid program that is related to the Medical Center meeting the requirement of the Meaningful Use Incentive program. The Medical Center elected to recognize the revenue associated with the EHR incentive payment under the cliff recognition model and included such amounts in other revenue in the accompanying consolidated statement of operations and net asset deficiency. The amount of the EHR incentive payment was based on the Medical Center discharges, which are subject to audit by CMS or its intermediaries and amounts recognized are the Medical Center's best estimate and are subject to change.

(c) Budget Control Act

The Budget Control Act of 2011 included (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the Super Committee) to develop a plan to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. Since the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare hospital reimbursement took effect April 1, 2013 in a process known as sequestration. The Budget Control Act also required a 24% reduction in the sustainable growth rate formula regarding physician reimbursement under Medicare. This significant reduction in physician reimbursement has been further delayed until April 1, 2015.

(15) Subsequent Events

The Medical Center has evaluated subsequent events that occurred after December 31, 2013 through June 25, 2014, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose, except as noted in note 8(b) regarding a HEAL Grant from the New York State Department of Health.

WYCKOFF HEIGHTS MEDICAL CENTER

Supplementary Information

Consolidating Statement of Financial Position

December 31, 2013
(with summarized comparative totals at December 31, 2012)

(In thousands)

Assets		Wyckoff	Wyckoff Dental	Wyckoff Medical	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Neonatal	Wyckoff Professional Medical Svc. (Orthopedic)	Wyckoff Family Medical
Current assets:										
Cash and cash equivalents	$	4,177	20	161	187	100	19	25	13	21
Patient accounts receivable, net		25,511	—	—	—	—	—	—	—	—
Other receivables, net		6,401	—	—	—	—	—	—	—	—
Due from third-party payors		4,599	—	—	—	—	—	—	—	—
Inventories and other current assets		5,804	—	—	—	—	—	—	—	—
Due from related organizations		6,066	10	4,565	143	—	1	145	100	88
Assets limited or restricted as to use – current portion		10,861	—	—	—	—	—	—	—	—
Other		230	—	—	—	—	—	—	—	—
Total current assets		63,649	30	4,726	330	100	20	170	113	109
Property, buildings, and equipment, net		55,980	—	—	—	—	—	—	—	—
Assets limited or restricted as to use under bond indenture, net of current portion		8,762	—	—	—	—	—	—	—	—
Board designated – self-insured malpractice fund		3,565	—	—	—	—	—	—	—	—
Due from third-party payors – long term		1,528	—	—	—	—	—	—	—	—
Insurance claims receivable		25,405	—	—	—	—	—	—	—	—
Total assets	$	158,889	30	4,726	330	100	20	170	113	109

See accompanying independent auditors' report on supplementary information.

Stockholm	Wyckoff Imaging	Wyckoff Surgical	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination entries	Consolidated 2013	Consolidated 2012
68	118	1	128	28	4	3	779	5,852	—	5,852	7,952
—	—	—	—	—	—	—	—	25,511	—	25,511	32,152
—	—	—	—	—	—	—	194	6,595	—	6,595	7,510
—	—	—	—	—	—	—	—	4,599	—	4,599	17,055
—	—	—	—	24	—	—	—	5,828	—	5,828	5,016
35	203	65	45	61	161	—	2,396	14,084	(13,976)	108	106
—	—	—	—	—	—	—	—	10,861	—	10,861	10,874
—	—	—	—	—	—	—	—	230	—	230	419
103	321	66	173	113	165	3	3,369	73,560	(13,976)	59,584	81,084
—	—	—	—	—	—	—	—	55,980	—	55,980	60,252
—	—	—	—	—	—	—	—	8,762	`	8,762	8,566
—	—	—	—	—	—	—	—	3,565	—	3,565	—
—	—	—	—	—	—	—	—	1,528	—	1,528	—
—	—	—	—	—	—	—	—	25,405	—	25,405	27,000
103	321	66	173	113	165	3	3,369	168,800	(13,976)	154,824	176,902

WYCKOFF HEIGHTS MEDICAL CENTER

Supplementary Information

Consolidating Statement of Financial Position

December 31, 2013
(with summarized comparative totals at December 31, 2012)

(In thousands)

Liabilities and Net Deficiency		Wyckoff	Wyckoff Dental	Wyckoff Medical	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Neonatal	Wyckoff Orthopedic	Wyckoff Family Medical
Current liabilities:										
Accounts payable and accrued expenses	$	37,687	(1)	(5)	(15)	27	(6)	(19)	—	(3)
Accrued salaries and related liabilities		13,325	—	—	—	—	—	—	—	—
Current portion of due to third-party payors		11,994	—	—	—	—	—	—	—	—
Accrued interest payable		1,784	—	—	—	—	—	—	—	—
Current portion of long-term debt		7,954	—	—	—	—	—	—	—	—
Current portion of estimated professional liabilities		1,775	—	—	—	—	—	—	—	—
Current portion of Caritas settlement		2,280	—	—	—	—	—	—	—	—
Due to related organization		2,870	448	690	2,520	2,405	1,936	166	266	631
Deferred revenue		1,054	—	—	—	—	—	—	—	—
Total current liabilities		80,723	447	685	2,505	2,432	1,930	147	266	628
Long-term liabilities:										
Due to third-party payors, less current portion		24,852	—	—	—	—	—	—	—	—
Long-term debt, less current portion		84,552	—	—	—	—	—	—	—	—
Estimated self-insured professional liabilities, less current portion		33,732	—	—	—	—	—	—	—	—
Estimated insured professional liabilities		25,405	—	—	—	—	—	—	—	—
Caritas settlement, less current portion		4,988	—	—	—	—	—	—	—	—
Total liabilities		254,252	447	685	2,505	2,432	1,930	147	266	628
Commitments and contingencies										
Net asset deficiency – unrestricted		(95,363)	(417)	4,041	(2,175)	(2,332)	(1,910)	23	(153)	(519)
	$	158,889	30	4,726	330	100	20	170	113	109

See accompanying independent auditors' report on supplementary information.

Stockholm	Wyckoff Imaging	Wyckoff Surgical	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination entries	Consolidated 2013	Consolidated 2012
32	3	—	—	39	—	—	—	37,739	—	37,739	48,572
—	—	—	—	—	—	—	—	13,325	—	13,325	17,125
—	—	—	—	—	—	—	—	11,994	—	11,994	20,830
—	—	—	—	—	—	—	—	1,784	—	1,784	1,755
—	—	—	—	—	—	—	—	7,954	—	7,954	8,094
—	—	—	—	—	—	—	—	1,775	—	1,775	961
—	—	—	—	—	—	—	—	2,280	—	2,280	—
1,122	1,294	15	—	216	—	634	56	15,269	(13,976)	1,293	1,217
—	—	—	—	—	—	—	—	1,054	—	1,054	—
1,154	1,297	15	—	255	—	634	56	93,174	(13,976)	79,198	98,554
—	—	—	—	—	—	—	—	24,852	—	24,852	21,407
—	—	—	—	—	—	—	—	84,552	—	84,552	92,116
—	—	—	—	—	—	—	—	33,732	—	33,732	36,760
—	—	—	—	—	—	—	—	25,405	—	25,405	27,000
—	—	—	—	—	—	—	—	4,988	—	4,988	
1,154	1,297	15	—	255	—	634	56	266,703	(13,976)	252,727	275,837
(1,051)	(976)	51	173	(142)	165	(631)	3,313	(97,903)	—	(97,903)	(98,935)
103	321	66	173	113	165	3	3,369	168,800	(13,976)	154,824	176,902

WYCKOFF HEIGHTS MEDICAL CENTER

Supplementary Information

Consolidating Statement of Operations and Net Asset Deficiency

Year ended December 31, 2013
(with summarized comparative totals at December 31, 2012)

(In thousands)

	Wyckoff	Wyckoff Dental	Wyckoff Medical	Wyckoff Emergency Medicine	Wyckoff Anesthesia	Wyckoff Practice Management	Wyckoff Neonatal	Wyckoff Orthopedic	Wyckoff Family Medical
Unrestricted revenue, gains, and other support:									
Net patient service revenue	$ 259,571	501	5,834	4,670	3,548	—	8	41	605
Provision for bad debt	(18,215)	—	—	—	—	—	—	—	—
	241,356	501	5,834	4,670	3,548	—	8	41	605
Physician service revenue	20,474	—	—	—	—	—	—	—	—
Grants	4,407	—	—	—	—	—	—	—	—
Medical training program	6,460	186	210	2,152	2,163	348	10	481	255
Other revenue – electronic health records and FICA refund	3,982	—	—	—	—	—	—	—	—
Total operating revenue	276,679	687	6,044	6,822	5,711	348	18	522	860
Operating expenses:									
Salaries and wages	119,826	820	2,832	5,446	5,162	321	—	440	885
Employee benefits	42,999	—	—	—	—	—	—	—	—
Supplies and expenses	98,872	123	1,226	1,665	1,240	105	—	326	285
Interest and amortization of financing fees	5,759	—	—	—	—	—	—	—	—
Depreciation and leasehold improvement amortization	9,057	—	—	—	—	—	—	—	—
Total operating expenses	276,513	943	4,058	7,111	6,402	426	—	766	1,170
Excess (deficiency) of revenue over expense from operations	166	(256)	1,986	(289)	(691)	(78)	18	(244)	(310)
Nonoperating revenue and expenses:									
Investment income	109	—	—	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—	—	—	—
Total nonoperating revenue and expenses	109	—	—	—	—	—	—	—	—
Excess (deficiency) of total revenue over total expenses	275	(256)	1,986	(289)	(691)	(78)	18	(244)	(310)
Other changes in net asset deficiency:									
Grant for capital purchases	749	—	—	—	—	—	—	—	—
Decrease (increase) in net asset deficiency	1,024	(256)	1,986	(289)	(691)	(78)	18	(244)	(310)
Net asset deficiency, beginning of year	(96,387)	(161)	2,055	(1,886)	(1,641)	(1,832)	5	91	(209)
Net asset deficiency, end of year	$ (95,363)	(417)	4,041	(2,175)	(2,332)	(1,910)	23	(153)	(519)

See accompanying independent auditors' report on supplementary information.

Stockholm	Wyckoff Imaging	Wyckoff Surgical	Stephen Carryl	Preferred Health Ventures Pharmacy	Preferred Health Ventures Placement	Preferred Health Ventures Properties	Wyckoff Foundation	Subtotal	Elimination entries	Consolidated 2013	Consolidated 2012
2,448	2,052	—	387	—	—	—	—	279,665	(20,094)	259,571	263,166
—	—	—	—	—	—	—	—	(18,215)	—	(18,215)	(17,000)
2,448	2,052	—	387	—	—	—	—	261,450	(20,094)	241,356	246,166
—	—	—	—	—	—	—	—	20,474	—	20,474	17,955
—	—	—	—	—	—	—	—	4,407	—	4,407	3,648
2,238	1,725	—	—	—	—	—	310	16,538	(10,078)	6,460	8,094
—	—	—	—	—	—	—	—	3,982	—	3,982	4,877
4,686	3,777	—	387	—	—	—	310	306,851	(30,172)	276,679	280,740
2,763	2,774	—	—	—	—	—	—	141,269	—	141,269	145,789
—	—	—	—	—	—	—	—	42,999	—	42,999	41,816
2,333	1,161	10	214	—	—	—	33	107,593	(30,172)	77,421	75,426
—	—	—	—	—	—	—	—	5,759	—	5,759	4,911
—	—	—	—	—	—	—	—	9,057	—	9,057	9,104
5,096	3,935	10	214	—	—	—	33	306,677	(30,172)	276,505	277,046
(410)	(158)	(10)	173	—	—	—	277	174	—	174	3,694
—	—	—	—	—	—	—	—	109	—	109	74
—	—	—	—	—	—	—	—	—	—	—	12
—	—	—	—	—	—	—	—	109	—	109	86
(410)	(158)	(10)	173	—	—	—	277	283	—	283	3,780
—	—	—	—	—	—	—	—	749	—	749	661
(410)	(158)	(10)	173	—	—	—	277	1,032	—	1,032	4,441
(641)	(818)	61	—	(142)	165	(631)	3,036	(98,935)	—	(98,935)	(103,376)
(1,051)	(976)	51	173	(142)	165	(631)	3,313	(97,903)	—	(97,903)	(98,935)

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UNAUDITED FINANCIAL STATEMENTS OF WYCKOFF HEIGHTS MEDICAL CENTER AS OF AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2014 AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013

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APPENDIX E-2

Condensed Consolidated Financial Information of Wyckoff Heights Medical Center

as of September 30, 2014 (Unaudited)

and for the Nine Months Ended September 30, 2014 and 2013 (Unaudited)

WYCKOFF HEIGHTS MEDICAL CENTER

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Condensed Consolidated Financial Statements:

WYCKOFF HEIGHTS MEDICAL CENTER

Condensed Consolidated Statements of Financial Position

September 30, 2014 and December 31, 2013

(In thousands)

Assets		September 30, 2014	December 31, 2013
		(Unaudited)	
Current assets:			
Cash and cash equivalents	$	8,897	5,852
Patient accounts receivable, net of allowance for uncollectible accounts of $57,065 in 2014 and $50,726 in 2013		24,852	25,511
Other receivables, net		5,905	6,595
Due from third-party payors		8,200	4,599
Inventories and other current assets		6,645	5,828
Due from related organizations		112	108
Assets limited or restricted as to use – current portion		10,863	10,861
Other		197	230
Total current assets		65,671	59,584
Property, buildings, and equipment, net		54,511	55,980
Assets limited or restricted as to use under bond indenture, net of current portion		6,184	8,762
Board designated - self-insured malpractice fund		2,130	3,565
Due from third-party payors - long term		1,626	1,528
Insurance claims receivable		25,850	25,405
Total assets	$	155,972	154,824
Liabilities and Net Asset Deficiency			
Current liabilities:			
Accounts payable and accrued expenses	$	41,773	37,739
Accrued salaries and related liabilities		15,866	13,325
Current portion of due to third-party payors		12,156	11,994
Accrued interest payable		903	1,784
Current portion of long-term debt		7,643	7,954
Current portion of estimated professional liabilities		1,840	1,775
Current portion of Caritas settlement		1,556	2,280
Due to related organization		1,889	1,293
Deferred revenue		1,656	1,054
Total current liabilities		85,282	79,198
Long-term liabilities:			
Due to third-party payors, less current portion		28,803	24,852
Long-term debt, less current portion		76,663	84,552
Estimated self-insured professional liabilities, less current portion		34,960	33,732
Estimated insured professional liabilities		25,850	25,405
Caritas settlement, less current portion		3,941	4,988
Total liabilities		255,499	252,727
Commitments and contingencies			
Net asset deficiency – unrestricted		(99,527)	(97,903)
Total liabilities and net asset deficiency	$	155,972	154,824

See accompanying notes to condensed consolidated financial statements.

WYCKOFF HEIGHTS MEDICAL CENTER

Condensed Consolidated Statements of Operations and Net Asset Deficiency

Nine Months ended September 30, 2014 and 2013

(In thousands)

		2014	2013
		(Unaudited)	(Unaudited)
Unrestricted revenues, gains, and other support:			
Net patient service, before bad debts	$	196,106	194,530
Provision for bad debts, net		(13,231)	(13,722)
Net patient service revenue less provisions for bad debts		182,875	180,808
Physician service revenue		16,827	14,334
Grants		6,502	3,367
Medical training program		3,851	5,169
Other revenue		1,800	1,057
Total operating revenues		211,855	204,735
Operating expenses:			
Salaries and wages		107,995	104,537
Employee benefits		30,934	31,692
Supplies and other		65,839	58,709
Interest and amortization of financing fees		3,343	3,417
Depreciation and leasehold improvement amortization		5,628	7,128
Total operating expenses		213,739	205,483
Deficiency of revenues over expense from operations		(1,884)	(748)
Nonoperating revenue:			
Investment income		73	72
Total nonoperating revenue		73	72
Deficiency of total revenues over total expenses		(1,811)	(676)
Other changes in net asset deficiency:			
Grant for capital purchases		187	213
Increase in net asset deficiency		(1,624)	(463)
Net asset deficiency, beginning of period		(97,903)	(98,935)
Net asset deficiency, end of period	$	(99,527)	(99,398)

See accompanying notes to condensed consolidated financial statements.

WYCKOFF HEIGHTS MEDICAL CENTER

Condensed Consolidated Statements of Cash Flows

Nine Months ended September 30, 2014 and 2013

(In thousands)

		2014 (Unaudited)	2013 (Unaudited)
Cash flows from operating activities:			
Change in unrestricted net asset deficiency	$	(1,624)	(463)
Adjustments to reconcile change in unrestricted net asset deficiency to net cash provided by operating activities:			
Depreciation and leasehold improvement amortization		5,628	7,128
Provision for bad debts		13,231	13,722
Changes in assets and liabilities:			
Patient accounts receivable		(12,572)	(8,216)
Other receivables, net		690	(62)
Due to/from third-party payors		414	9,381
Inventories and other current assets		(817)	(494)
Due to/from related organizations		593	195
Accounts payable and accrued expenses		4,034	(4,796)
Accrued salaries and related liabilities		2,541	1,348
Accrued interest payable		(881)	(943)
Estimated self-insured professional liabilities		1,293	2,186
Caritas settlement		(1,771)	0
Amortization of deferred financing fees		33	0
Deferred revenue		602	525
Net cash provided by operating activities		11,394	19,511
Cash flows from investing activities:			
Purchases of assets limited as to use		(46,010)	(45,589)
Sale of assets limited as to use		48,586	48,164
Acquisition of property, buildings, and equipment, net		(4,159)	(3,062)
Board designated - self-insured malpractice fund		1,435	(3,500)
Net cash used in investing activities		(148)	(3,987)
Cash flows from financing activities:			
Repayments of long-term debt		(8,201)	(7,583)
Net cash used in financing activities		(8,201)	(7,583)
Net increase in cash and cash equivalents		3,045	7,941
Cash and cash equivalents, beginning of period		5,852	7,952
Cash and cash equivalents, end of period	$	8,897	15,893
Supplemental disclosure of cash flow information:			
Cash paid for interest and financing fees	$	2,375	3,230
Assets acquired under capital leases		419	299

See accompanying notes to condensed consolidated financial statements.

WYCKOFF HEIGHTS MEDICAL CENTER

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(1) Nature of Organization and Principles of Consolidation

(a) Operating Activity

Wyckoff Heights Medical Center (Wyckoff or the Medical Center) is a tax-exempt organization, which was incorporated under New York State not-for-profit corporation law for the purpose of providing healthcare services primarily to residents of the Brooklyn and Queens, New York areas. Effective December 21, 2006, Brooklyn-Queens Health Care, Inc. (BQHC), formerly known as Wyckoff Heights Medical Center Properties, became the sole member of the Medical Center and of Caritas Health Care, Inc. (Caritas). Caritas filed a voluntary petition of relief under Chapter 11 of the Federal bankruptcy laws in February 2009 and ceased operations on March 6. 2009 (see note 3(p)). Through December 31, 2011, the Medical Center was an affiliate of the New York-Presbyterian Healthcare System. The affiliation agreement was ended as of January 1, 2012 by mutual agreement.

(b) Principles of Consolidation

The Medical Center consolidates the operations of its tax-exempt and taxable subsidiaries, which are as follows:

Tax-exempt

- Stockholm Obstetrics and Gynecological Services, P.C. (Stockholm)
- Wyckoff Medical Services, P.C. (Wyckoff Medical)
- Wyckoff Heights Dental Services, P.C. (Wyckoff Dental)
- Wyckoff Orthopedic, P.C. (Wyckoff Orthopedic)
- Wyckoff Anesthesia Medical Services, P.C. (Wyckoff Anesthesia)
- Wyckoff Heights Medical Center Foundation (Wyckoff Foundation)
- Wyckoff Neonatal Services, P.C. (Wyckoff Neonatal)
- Wyckoff Imaging Services, P.C. (Wyckoff Imaging)
- Wyckoff Family Medical Services, P.C. (Wyckoff Family Medical)

Taxable

- Wyckoff Practice Management Corporation (Wyckoff Practice Management)
- Wyckoff Emergency Medicine Services, P.C. (Wyckoff Emergency Medicine)
- Wyckoff Surgical Services, PC (Wyckoff Surgical)
- Stephen Carryl, P.C
- Preferred Health Ventures Pharmacy (inactive)
- Preferred Health Ventures Placement (inactive)
- Preferred Health Ventures Properties (inactive)

The consolidated financial statements include the accounts of the Medical Center and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(2) Going Concern

At September 30, 2014 and December 31, 2013, the Medical Center had a working capital deficiency of approximately $19.6 million and $19.6 million, respectively, and a net asset deficiency of approximately $99.5 million and $97.9 million, respectively. The Medical Center has also incurred recurring losses from operating and non-operating activities in recent years. While the Medical Center has reflected a small operating profit in the prior year, as discussed in note 3, there were significant changes in estimate related to estimated self-insured professional liabilities in 2013. In the absence of these changes in estimate, fiscal 2013 would have reflected an operating loss.

Management plans to include identifying revenue enhancements and cost reductions and is developing strategies to improve the Medical Center's financial condition. This includes revenue cycle improvements for billings and collections of patient revenue using workforce reductions, and settlements with vendors. However, there can be no assurance that management's plans will be sufficient or timely enough to generate sufficient cash to meet its operating needs and achieve financial stability for the Medical Center. These uncertainties raise substantial doubt about the Medical Center's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets and classification of liabilities that may result from the outcome of this uncertainty.

(3) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting.

The accompanying unaudited condensed consolidated financial statements are prepared on the accrual basis of accounting in accordance with the U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements of the Corporation. Eliminations and reporting adjustments have been made to present the information in accordance with GAAP. The data should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2013 and 2012 and related notes included in Appendix B-1. Information for the nine months ended September 30, 2014 and 2013 is not based upon audited information but, in the opinion of management, is presented on a basis consistent with the audited consolidated financial statements in Appendix B-1 and includes adjustments consisting of normal recurring adjustments necessary for a fair presentation therein. Adjustments to these financial statements, while not expected by management, may occur as a result of the more comprehensive review undertaken as part of the audit process for the year ending December 31, 2014. The results of operations for the nine months ended September 30, 2014 are not necessarily indicative of the operating results to be expected for the entire year ending December 31, 2014.

The condensed consolidated balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by GAAP for complete financial statements.

(b) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates included in the preparation of the consolidated financial statements relate to the allowance for doubtful accounts, estimated settlements with third-party payors, malpractice liabilities, and the recoverability and useful lives of long-lived assets. Actual results could differ from those estimates. Changes in prior year estimates included within the consolidated statements of operations and net asset deficiency increased excess (deficiency) of revenues over expenses from operations by approximately $0.9 million and $3.0 million, for the nine months ended September 30, 2014 and 2013, respectively. Included in the changes are $0.6 million and $2.9 million, respectively, related to self-insured professional liabilities related of prior periods.

(c) *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 – Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 – Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Valuations based on unobservable inputs reflecting the Medical Center's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At September 30, 2014 and December 31, 2013, the fair value of the Medical Center's financial instruments including cash and cash equivalents, patient accounts receivable, accounts payable, and accrued expenses, approximated book value due to the short maturity of these instruments.

Refer to note 4 for the disclosures of investments measured at fair value.

(d) Cash and Cash Equivalents

The Medical Center classifies as cash and cash equivalents all highly liquid investments with maturities of three months or less when purchased, which are not deemed to be assets limited as to use.

(e) Patient Accounts Receivable

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Patient accounts receivable are recorded at the reimbursement or contracted amount, and are based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid healthcare coverage, and other collection indicators. Accounts deemed uncollectible, and written off, are deducted from the allowance for doubtful accounts. Revisions in reserve for doubtful accounts estimates are recorded as an adjustment to bad debt expense.

(f) Inventories

Inventories consist of medical supplies valued at the lower of cost or market with cost determined using the first-in, first-out method and with market defined as the lower of replacement cost or realizable value.

(g) Assets Limited as to Use

Assets limited as to use represent assets whose use is restricted for specific purposes under internal designation or terms of debt indentures or other agreements. Amounts required to meet current liabilities are reported as current assets.

(h) Deferred Financing Fees

Deferred financing fees represent costs incurred to obtain financing. These costs are amortized using the effective-interest method over the term that the related debt is outstanding.

(i) Property, Buildings, and Equipment

Property, buildings, and equipment purchased are recorded at cost and those acquired by gifts and bequests are recorded at appraised or market value established at the date of contribution. Assets acquired under capitalized leases are recorded at the present value of the future minimum lease payments at the inception of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of all assets. Equipment acquired through capital lease obligations is amortized using the straight-line method over the lesser of the estimated useful life of the asset or lease term. The carrying amounts of the assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of, and any resulting gain or loss is included in operations. The estimated useful lives of the assets are as follows:

Leasehold improvements, buildings, and improvements	8 to 40 years
Movable equipment	5 to 20 years
Fixed equipment	5 to 15 years

(j) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated fair value of the asset as determined by an independent third party. If the carrying amount of an asset exceeds its fair value, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Medical Center has not deemed any long-lived assets to be impaired at September 30, 2014 and December 31, 2013.

Assets to be disposed of would be separately presented in the consolidated statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated statements of financial position.

(k) Estimated Self-Insured Liabilities

The provision for estimated self-insured malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The Medical Center, when evaluating probable losses relating to malpractice claims, reviews the latest information available. When the latest information indicates the probable loss is within a range of amounts, the most likely amount of the loss in the range is accrued.

(l) Deferred Revenue

Deferred revenue consists of advance payments related to government grant funded programs.

(m) Classification of Net Asset Deficiency

The Medical Center's net asset deficiency is classified as unrestricted. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors.

(n) Net Patient Service Revenue

The Medical Center has agreements with its third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounts from charges, and per diem payments. Net patient service revenue is reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

(o) Functional Expenses

The Medical Center's program services consist of providing healthcare and related services to residents within its geographic location. Operating expenses related to providing these services are as follows (in thousands):

		9 Months Ended September 30, 2014	2013
Healthcare and related services	$	143,735	138,133
Program support and general services		70,004	67,350
	$	213,739	205,483

(p) Caritas Related Expenses

The Medical Center has entered into settlement agreement with certain creditors of Caritas who had made claims against the Medical Center in connection with the bankruptcy, principally related to claims by medical schools that had claims against Caritas. As of September 30, 2014 and December 31, 2013, the Medical Center has accrued $5.5 million and $7.3 million, respectively, associated with Caritas related liabilities.

(q) Uncompensated Care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Since the Medical Center does not anticipate collection of amounts determined to qualify as charity care, they are not reported as revenue. For the nine months ended September 30, 2014 and 2013, the estimated cost of charity care was approximately $0.9 million for both periods. The estimated cost of charity care includes the direct and indirect costs of providing charity care services and is estimated utilizing a ratio of cost to gross charges applied to the gross uncompensated charges associated with providing charity care.

For patients who were determined by the Medical Center to have the ability to pay but did not, the uncollected amounts are recorded as bad debt expense. Distinguishing between bad debt and charity care is difficult in part because services are often rendered prior to full evaluation of patient's ability to pay. For the nine months ended September 30, 2014 and 2013, the provision for bad debts was approximately $13.2 million and $13.7 million, respectively.

(r) ***Deficiency of Revenue over Expenses***

The deficiency of total revenue over total expenses includes results from all healthcare operations and excludes grants received for capital purchases.

(s) ***Tax Status***

The Medical Center and certain subsidiaries were incorporated in the State of New York and have been exempt from federal, state, and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and, therefore, have made no provision for income taxes in the accompanying consolidated financial statements. There was no unrelated business income for the nine months ended September 30, 2014and 2013. The taxable subsidiaries' operations are not material for the calculation of a tax liability.

The Medical Center does not believe there are any material uncertain tax positions, and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Medical Center has filed for and received income tax exemptions in the jurisdictions where required.

(4) ***Fair Value Measurements***

The Medical Center measures its assets limited as to use in the form of marketable securities at fair value. Fair value is an exit price, representing the amount that would be received on the sale of an asset or that would be paid to transfer a liability in an orderly transaction between market participants. As a basis for considering such assumptions, a three-tier fair value hierarchy is used, which prioritizes the inputs in the valuation methodologies in measuring fair value.

Assets limited as to use consist of U.S. Treasury bills and notes and are fair valued based on Level 1 of the fair value hierarchy. There were no Level 2 or Level 3 securities at September 30, 2014 and December 31, 2013 and there were no transfers between levels.

(5) Long-Term Debt

Long-term debt consists of the following (in thousands):

	Sept. 30, 2014	Dec. 31, 2013
Series 1998H bonds (a)	$ 82,440	89,595
Restructuring pool loan (b)	—	1,086
Capitalized lease obligations (c)	1,866	1,825
	84,306	92,506
Less current portion	7,643	7,954
	$ 76,663	84,552

(a) Series 1998H Bonds

In 1998, the Medical Center, through the Dormitory Authority of the State of New York (DASNY), issued tax-exempt Secured Hospital Revenue Refunding Bonds, Series 1998H (the Series 1998H Bonds). The Series 1998H Bonds have maturity dates ranging from February 2011 to August 2021 and interest rates ranging from 5.0% to 5.3% and are secured by a first mortgage lien on the Medical Center's property, buildings, and equipment and substantially all other assets. Additional security is provided through the Secured Hospital Program, a special bond financing program, which effectively implements a service agreement between New York State (the State) and DASNY that calls for the State to make payments, if required, at amounts equal to the principal and interest, subject to annual appropriations made by the State Legislature.

Pursuant to the bond documents and related mortgage agreement, the Medical Center is required to maintain a capital reserve fund, a debt service fund, and other funds whose use is limited to debt repayments, capital asset acquisitions, and related items. The funds consist principally of U.S. Treasury securities. The Medical Center is also required to maintain certain financial ratios as well as other covenants.

On May 4, 2011, the Medical Center entered into a forbearance agreement with DASNY, whereby DASNY for bore its rights and remedies under the existing loan documents and the arrearage of approximately $15.7 million, including approximately $0.2 million in financing fees. This amount has been added to the end of the existing bond maturities, extending the maturity an additional 18 months. The amount due on the first interest payment date equals accrued interest, of one percent, from the date of the forbearance agreement through January 31, 2012. Payments on the arrearage, including monthly principal and interest at a rate of 1.0%, are estimated to begin in September 2021, after the original maturity of the 1998H bonds.

Required principal payments on the Series 1998H Bonds for the next five years and thereafter consist of the following (in thousands):

Year ending December 31:		
2015	$	7,530
2016		7,920
2017		8,335
2018		8,780
2019		9,240
Thereafter		40,635
	$	82,440

(b) Restructuring Pool Loan

During January 2002, the Medical Center obtained a $4.9 million Restructuring Pool Loan (the Loan), through DASNY, with an interest rate of 1.0%, in conjunction with the New York State Department of Health. The Reimbursement Agreement for the Loan provides for repayment over a 36-month period.

In August 2009, the Medical Center obtained an additional $1.0 million, through DASNY, with an interest rate of 1.0%. This additional loan provides for repayment of $100,000 over a 10-month period.

In August 2011, these amounts were consolidated into one loan with DASNY, with monthly payments, bearing interest at 1%, beginning in March 2012, and commencing in February 2017.

During 2014, the Medical Center received a HEAL grant from the New York State Department of Health in the amount of $1,054,000, which funds were granted for and used to pay the remaining outstanding balance of the Restructuring Pool Loan.

(c) Capitalized Lease Obligations

The Medical Center capital leases, which are secured by the underlying equipment, require monthly payments of principal and interest. Interest rates related to the capitalized leases are at various rates ranging from approximately 0.6% to 11.9% with payments scheduled as follows (in thousands):

For 3 Months Ending Dec. 31, 2014 and Years Ending Dec. 31, 2015-2019

2014	$	157
2015		652
2016		536
2017		434
2018		201
2019		100
		2,080
Less amount representing interest		214
Present value of future minimum lease payments		1,866
Less current portion		113
	$	1,753

(6) *Pension Plans*

On November 1, 2007, the board of directors of the Medical Center approved a resolution, which resulted in an amendment to the noncontributory defined-contribution plan, effective January 1, 2008. The amendment provided that the noncontributory defined-contribution plan ceased and was converted to a profit sharing plan (the Plan). The Medical Center can make discretionary contributions into the Plan each year, which shall be determined annually by the Board of Directors, with separate contribution determinations made for each employment classification as specified in the Plan. There were no contributions to the Plan during the nine months ended September 30, 2014 and 2013.

On June 28, 2007, the Executive Committee of the Medical Center and the Board of Directors of Caritas passed resolutions for the adoption of and participation in the Plan by Caritas for its eligible employees, effective January 1, 2007. The Plan is for substantially all full-time employees meeting certain minimum age and service requirements who are not covered by union-sponsored plans.

On March 14, 2008, the Medical Center submitted a request for waiver of a $6.1 million minimum funding standard to the IRS for the 2007 plan year, which funding was due by September 2008 (the due date). The request for waiver has not yet been approved. However, based on advice from legal counsel, the Medical Center has begun making payments. Monthly payments of $100,000 commenced in May 2009 with a final payment in August 2003 of approximately $705,000. Total payments amount to $6,135,000, the minimum funding standard. The Medical Center has included an estimate of $1.5 million of additional funding, if required, related to investment earnings that might be deemed accrued to plan participants from the due date, in accrued salaries in the accompanying condensed consolidated statements of financial position as of both September 30, 2014 and December 31, 2013. Such required funding, if any, cannot be determined until the Medical Center receives a final determination from the IRS on its waiver request.

Union employees are generally included in the pension, health and welfare plans of their collective bargaining units. Under these plans, the Medical Center is required to make payments based on contractual amounts. Expenses incurred under these plans were approximately $18.4 million and $19.9 million for the nine months ended September 30, 2014 and 2013, respectively.

The Medical Center participates in two major multiemployer union pension plans, covering substantially all employees not eligible for the Medical Center's plan.

Local 1199

The Employee Identification Number/three-digit Pension Plan number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at both December 31, 2013 and 2012, which is for the plan years ended December 31, 2012 and 2011, respectively. The zone status is based on information that the Medical Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The expiration date of the collective-bargaining agreement requiring contributions to the plan is April 30, 2015. The contributions by the Medical Center to the union pension fund were $2.8 million and $3.1 million for the nine months ended September 30, 2014, and 2013, respectively. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

NYSNA

The Employee Identification Number/three-digit Pension Plan number is 13-3604862/001. The most recent Pension Protection Act (PPA) zone status is green at both December 31, 2013 and 2012, which is for the plan years ended December 31, 2012 and 2011, respectively. The zone status is based on information that the Medical Center received from the plan sponsor and, as required by the PPA, is certified by the plan's actuary.

The financial improvement plan (FIP) or a rehabilitation plan (RP), as required by PPA, has been implemented by the plan's sponsor. The expiration date of the collective-bargaining agreement requiring contributions to the plan is December 31, 2014. The contributions by the Medical Center to the union pension fund were $2.2 million, and $2.1 million for the nine months ended September 30, 2014, and 2013, respectively. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

If the Medical Center were to withdraw from the plan or should the plan be terminated, the Medical Center could be liable for a proportionate share of the unfunded actuarial present value of plan benefits at the date of withdrawal or termination.

(7) *Contingencies*

At September 30, 2014 and December 31, 2013, respectively, approximately 69% and 71% of the Medical Center's employees were union employees covered by collective bargaining agreements.

The Medical Center is a defendant in various legal actions arising out of the normal course of its operations, the final outcome of which cannot presently be determined. Management and legal counsel are of the opinion that the ultimate liability, if any, with respect to all of these matters will not have a material adverse effect on the Medical Center's consolidated financial statements.

In addition, the Medical Center has several government investigations ongoing. The Medical Center has received subpoenas from the Brooklyn District Attorney office and U.S. Attorney Office of the Eastern District of New York in connection with certain criminal investigations relating to the Medical Center and certain former officers of the Medical Center. The Medical Center is cooperating with such investigations and no claims have been asserted against the Medical Center arising out of the investigations to date. The Board of Trustees is monitoring these matters with the assistance of independent counsel. If either of these investigations results in a legal proceeding, it could have a material adverse effect on the Medical Center's business and results of operations.

(8) *Net Patient Service Revenue*

(a) *Non-Medicare Reimbursement*

The New York Health Care Reform Act of 1996 (the Act), as periodically updated, governs nonpayments to hospitals in New York State. Under the Act, Medicaid, workers' compensation, and no-fault payors pay rates are promulgated by the New York State Department of Health. Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity, similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with the Medical Center. Such arrangements include DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Medical Center's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool, which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the Medical Center based on industry-wide and hospital-specific data.

(b) *Medicare Reimbursement*

Under the Medicare program, the Medical Center receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the Medical Center inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. Under the outpatient PPS, services are paid based on service groups called ambulatory payment classifications.

Both federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Medical Center has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

For the nine months ended September 30, 2014 and 2013, respectively, revenue from the Medicare and Medicaid programs (including managed care related revenue) accounted for approximately 87.4% and 86.0% of the Medical Center's net patient service revenue. The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse legislation. Recent federal initiatives have prompted a national review of federally funded healthcare programs. The Medical Center has a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Medical Center believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties, and exclusion from the Medicare and Medicaid programs.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law), which was signed into law on March 23, 2010, will change how healthcare services are covered, delivered, and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital (DSH) payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition, the Health Reform Law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. The Medical Center is unable to predict the ultimate effect of the changes from the Health Reform Law.

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). These provisions were designed to increase the use of electronic health records (EHR) technology and establish the requirements for a Medicare and Medicaid incentive payments program beginning in 2012 for eligible hospitals and providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement, or upgrade certified EHR technology; but providers must demonstrate meaningful use of such technology in subsequent years to qualify for additional incentive payments.

During the nine months ended September 30, 2014 and 2013, the Medical Center did not recognized any revenue for HITECH incentives from the Medicare and Medicaid program that is related to the Medical Center meeting the requirement of the Meaningful Use Incentive program. The Medical Center elected to recognize the revenue associated with the EHR incentive payment under the cliff recognition model. The amount of the EHR incentive payment is based on the Medical Center discharges, which are subject to audit by CMS or its intermediaries and any amounts recognized are the Medical Center's best estimate and are subject to change.

(c) Budget Control Act

The Budget Control Act of 2011 included (the Budget Control Act) mandated significant reductions and spending caps on the federal budget for fiscal years 2012 through 2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction (the Super Committee) to develop a plan to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. Since the Super Committee failed to act before the mandated deadline, a 2% reduction in Medicare hospital reimbursement took effect April 1, 2013 in a process known as sequestration. The Budget Control Act also required a 24% reduction in the sustainable growth rate formula regarding physician reimbursement under Medicare. This significant reduction in physician reimbursement has been further delayed until April 1, 2015.

(9) Subsequent Events

The Medical Center has evaluated subsequent events that occurred after September 30, 2014 through December 22, 2014, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

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DEFINITIONS

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APPENDIX F

CERTAIN DEFINITIONS

In addition to the other terms defined in this Official Statement, when used in the summaries of certain provisions of the Resolution and the Loan Agreement, the terms have the meanings ascribed to them below.

Account Control Agreement means an account control agreement for the Pledge Fund that provides a security interest for the benefit of the Authority, under the New York Uniform Commercial Code;

Act means the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as amended, and constituting Title 4 of Article 8 of the Public Authorities Law) as amended from time to time, including, but not limited to, the Health Care Financing Consolidation Act and as incorporated thereby the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of Laws of New York 1973, as amended by Chapter 445 of the Laws of New York 2014, and as otherwise amended from time to time;

Annual Administrative Fee means the fee payable during each Bond Year for the general administrative and supervisory expenses of the Authority in the amount or percentage stated in the Loan Agreement;

Applicable means (i) with respect to any Construction Fund, Arbitrage Rebate Fund, Debt Service Fund, Capital Reserve Fund or Special Debt Service Reserve Fund, the fund so designated and established by an Applicable Series Resolution authorizing an Applicable Series of Bonds relating to a particular Project, (ii) with respect to any Capital Reserve Fund Requirement, the amount established in connection with a Series of Bonds by the Resolution or the Applicable Series Resolution, (iii) with respect to any Special Debt Service Reserve Fund Requirement, the said Requirement established in connection with a Series of Bonds by the Applicable Series Resolution or Bond Series Certificate, (iv) with respect to any Series Resolution, the Series Resolution relating to a particular Series of Bonds, (v) with respect to any Series of Bonds, the Series of Bonds issued under a Series Resolution for a particular Project, (vi) with respect to a Bond Series Certificate, such certificate authorized pursuant to an Applicable Series Resolution, (vii) with respect to a Credit Facility Provider, the respective Credit Facility Provider identified in the Applicable Series Resolution or Bond Series Certificate, and (viii) with respect to any Service Contract, the Service Contract entered into by the Director of the Budget in connection with an Applicable Series of Bonds;

Arbitrage Rebate Fund means the fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Authority means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which shall hereafter succeed to the rights, powers, duties and functions of the Authority;

Authority Fee means a fee payable to the Authority consisting of (a) all the Authority's internal costs and overhead expenses attributable to the issuance of a Series of Bonds and the financing of a Project, plus (b) a payment to be made upon the issuance of a Series of Bonds in an amount set forth in the Applicable Series Resolution, unless otherwise provided in the Applicable Series Resolution;

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

Authorized Officer means (i) in the case of the Authority, the Chair, Vice-Chair, Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Executive Director and President, Deputy Executive Director and Vice President, the Chief Financial Officer, Managing Director of Public Finance, and Portfolio Monitoring, Managing Director of Construction, Managing Director, Construction and Metro New York Operations, General Counsel and any other person authorized by a resolution or the by-laws of the Authority to perform any specific act or execute any specific document; (ii) in the case of the Institution, the person or persons authorized by a resolution or the by-laws of such Institution to perform any act or execute any document; and (iii) in the case of the Trustee, the President, a Vice President, an Assistant Vice President, a Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of such Trustee or the by-laws of such Trustee;

Bond or *Bonds* means any of the bonds of the Authority authorized pursuant to the Resolution and issued pursuant to an Applicable Series Resolution;

Bond Counsel means an attorney or a law firm, appointed by the Authority with respect to a particular Series of Bonds, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds;

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

Bond Year means, unless otherwise stated in the Applicable Series Resolution, a period of twelve (12) consecutive months beginning February 15 in any calendar year and ending on February 14 of the succeeding calendar year;

Bondholder, *Holder of Bonds*, *Holder*, *owner* or any similar term, when used with reference to a Bond or Bonds of a Series, means the registered owner of any Bonds of such Series;

Business Day shall mean any day other than a Saturday, Sunday or a day on which the Trustee is authorized by law to remain closed;

Capital Reserve Fund means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Capital Reserve Fund Requirement means as of any particular date of computation, with respect to Bonds of a Series, an amount equal to the least of (A) the greatest amount required in the then current or any future Bond Year to pay the sum of interest on Outstanding Bonds of such Series payable during such Bond Year, and the principal and Sinking Fund Installments of such Outstanding Bonds payable on February 15 of such Bond Year, excluding interest accruing on the Bonds of a Series from the dated date of any such Bonds to the August 15 or February 15 immediately preceding the first interest payment date, (B) an amount equal to ten percent (10%) of the net proceeds of the sale of Bonds of such Series or (C) an amount equal to 125% of the average of the principal, whether at maturity or on mandatory redemption, and interest becoming due in any one Bond Year on the Outstanding Bonds of such Series, in each case as provided in the Applicable Series Resolution or the Applicable Bond Series Certificate;

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

Commissioner of Health shall mean the Commissioner of Health of the State of New York or any board, agency or body which shall hereafter succeed to the powers, functions and duties of the Commissioner;

Construction Fund means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Continuing Disclosure Agreement means the undertaking entered into by the Institution agreeing to provide continuing disclosure information in accordance with Rule 15(c)2-12 of the Securities and Exchange Commission;

Cost or *Costs of Issuance* means the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of such Bonds, premiums, costs and expenses of refunding such Bonds and any other Secured Hospital Revenue Bonds issued previously by the Agency and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

Cost or *Costs of the Project* means the total of all costs authorized by law incurred by the Institution with respect to the Applicable Project and approved by the Commissioner of Health, to the extent required by law;

Credit Facility means an irrevocable letter of credit, surety bond, loan agreement, financial guaranty insurance policy, or other agreement, facility or insurance or guaranty arrangement issued or extended by any of (i) a bank, (ii) a trust company, (iii) a national banking association, (iv) an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, (v) a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, (vi) a savings bank, (vii) a savings and loan association, (viii) an insurance company or association chartered or organized under the laws of any state of the United States of America, (ix) the Government National Mortgage Association or any successor thereto, (x) the Federal National Mortgage Association or any successor thereto, or (xi) any other federal agency or instrumentality approved by the Authority, in each case pursuant to which the Authority is entitled to obtain moneys to pay the principal or Redemption Price of Outstanding Bonds due either at maturity or upon redemption through mandatory Sinking Fund Installments, plus accrued interest thereon to the date of payment or redemption thereof in accordance with the Resolution and with the Series Resolution authorizing such Bonds or a Bond Series Certificate, whether or not the Authority is in default under the Resolution or the Institution is in default under the Loan Agreement;

Credit Facility Provider means the issuer of a Credit Facility.

Debt Service Fund means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Debt Service Requirement means as of any time of determination thereof, an amount equal to the aggregate of (i) with respect to the interest on Outstanding Bonds payable on the first interest payment date therefor, if such interest payment date occurs more or less than six (6) calendar months after the date of issuance of the Bonds, the amount of interest thereon payable on such interest payment date multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of payment dates occurring prior to such interest payment date on which payments with respect to such interest are to be made pursuant to paragraph (c) of subdivision 1 of Section 8 of the Loan Agreement, multiplied by the number of dates on which such payments are to be made which have occurred on or prior to the date of determination, (ii) with respect to the interest on Outstanding Bonds payable on such Bonds on an interest payment date subsequent to the first interest payment date therefor, one-sixth (1/6) of the interest payable on such Bonds on the next succeeding interest payment date on which interest on such Bonds comes due multiplied by the number of calendar months or part thereof which has elapsed since the immediately preceding interest payment date for such Bonds, (iii) with respect to the principal and Sinking Fund Installments of Outstanding Bonds payable on the February 15 next succeeding the date on which the Bonds were issued, the principal and Sinking Fund Installments thereon payable on such February 15 multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of dates occurring prior to such February 15 on which payments with respect to such principal and Sinking Fund Installments are to be made pursuant to the Loan Agreement, multiplied by the number of dates on which such payments are to be made which have occurred on or prior to the date of determination, and (iv) with respect to the principal and Sinking Fund Installments of Outstanding Bonds payable on the February 15 on which principal or Sinking Fund Installments thereof were payable, one-twelfth (1/12) of the amount of principal and Sinking Fund Installments of such Bonds payable on the next succeeding February 15 multiplied by the number of calendar months or part thereof which has elapsed since the immediately preceding February 15;

Defeasance Security means any of the following: (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations; (b) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated by at least two nationally recognized statistical rating services in the highest rating category for such Exempt Obligation, provided, however, that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof;

Department of Health means the Department of Health of the State of New York;

Director of the Budget means the Director of the Budget of the State of New York;

Eligible Secured Hospital Borrower means an institution that has been determined by the Commissioner of Health to constitute an Eligible Secured Hospital Borrower as defined in subdivision 3-b of Section 2872 of the Public Health Law of the State of New York;

Excess Earnings means, with respect to the Applicable Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code;

Exempt Obligation means any of the following: (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, (A) the interest on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code or (B) which qualifies as a "build America bond" within the meaning of Section 54AA of the Internal Revenue Code, and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification of such rating by symbols such as "+" or "–" and numerical notation, at least in the second highest rating category for such obligation by at least two nationally recognized statistical rating organizations; (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Federal Agency Obligation means any of the following: (i) an obligation issued by any federal agency or instrumentality approved by the Authority; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Government Obligation means any of the following: (i) a direct obligation of the United States of America; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment of principal and interest by the United States of America; (iii) an obligation to which the full faith and credit of the United States of America are pledged; (iv) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (v) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

Governmental Requirements means any present and future laws, rules, orders, ordinances, regulations, statutes, requirements and executive orders applicable to a Project or any Mortgaged Property, of the United States, the State and any political subdivision thereof, and any agency, department, commission, board, bureau or instrumentality of any of them, including, but not limited to, the Department of Health of the State of New York, now existing or hereafter created, and having or asserting jurisdiction over a Project or any Mortgaged Property or any part of either, including in particular, Article 28 and 28-B of the Public Health Law of the State of New York;

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

Gross Receipts means all receipts, revenues, income and other moneys received or receivable by or on behalf of the Institution, including without limitation contributions, donations, and pledges whether in the form of cash, securities or other personal property and the rights to receive the same whether in the form of accounts, payment on tangibles, contract rights, general intangibles, healthcare insurance receivables, chattel paper, deposit accounts, instruments, promissory notes, and the proceeds thereof, as such terms are presently or hereinafter defined in the Uniform Commercial Code in effect from time to time in the State of New York, and any insurance or condemnation proceeds thereon, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired; provided, Gross Receipts shall not include gifts, grants, bequests, donations, and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker as being for a specific purpose contrary to the payment requirements under the Loan Agreement;

Hospital Consultant means a nationally recognized accounting or management consulting firm acceptable to the Authority and the Department of Health;

Institution means Wyckoff Heights Medical Center, a not-for-profit hospital corporation that is an eligible secured hospital borrower as now or hereafter defined in Subdivision 3-b of Section 2872 of the Public Health Law or any successor provision of law;

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

Loan means the loan of the proceeds of the Bonds issued by the Authority pursuant to the Series Resolution to the Institution pursuant to the terms and conditions of this Loan Agreement in order to refinance the Prior Bonds.

Loan Agreement means the loan agreement, note or other agreement, or any combination thereof, by and between the Authority and the Institution in connection with the issuance of an Applicable Series of Bonds, including a loan agreement between the Authority and the Institution in connection with another issue of obligations that has been modified in connection with the issuance of an Applicable Series of Bonds, as the same may from time to time be amended, supplemented or otherwise modified as permitted by the Resolution and by the Loan Agreement;

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

Mortgage means a mortgage or mortgages granted by the Institution to the Authority in connection with the issuance of an Applicable Series of Bonds, including a mortgage or mortgages granted by the Institution to the Authority in connection with obligations to be refunded with proceeds of an Applicable Series of Bonds that is modified to reflect the terms of such Applicable Series of Bonds, in form and substance satisfactory to the Authority, on the Mortgaged Property mortgaged in connection therewith, as security for the performance of such Institution's obligations under the Loan Agreement, as such Mortgage may be amended or modified as provided in such Loan Agreement;

Mortgaged Property means the real property, fixtures, personal property and other property interests described in and mortgaged pursuant to the Mortgage;

Official Statement means an official statement or other offering document relating to and in connection with the Sale of the Bonds;

Outstanding when used in reference to Bonds of an Applicable Series means, as of a particular date, all Bonds of such Series authenticated and delivered under the Resolution and under the Applicable Series Resolution except: (i) any such Bond cancelled by the Trustee at or before such date; (ii) any such Bond deemed to have been paid in accordance with the Resolution; and (iii) any such Bond in lieu of or in substitution for which another such Bond shall have been authenticated and delivered pursuant to the Resolution;

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

Permitted Collateral means any of the following: (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category; and (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category;

Permitted Encumbrances means (i) the Loan Agreement, (ii) the Resolution, (iii) any Mortgage, (iv) any instrument recorded pursuant to the Loan Agreement, (v) any other encumbrances or matters approved in writing by the Authority and the Department of Health, (vi) those matters referred to in the title insurance policy delivered on the date the Bonds are issued and accepted by the Authority or referred to in Exhibit F of the Loan Agreement and (vii) encumbrances permitted by Section 2 of Exhibit B of the Loan Agreement;

Permitted Investments means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) Collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter or credit, contract, agreement or surety bond issued by it, are rated by at least one nationally recognized statistical rating service in at least the second highest rating category, and (b) are fully collateralized by Permitted Collateral; and (vi) Investment Agreements that are fully collateralized by Permitted Collateral;

Pledge Fund means such fund which is established by the Loan Agreement;

Prior Bonds means the Dormitory Authority of the State of New York Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 1998H, dated February 1, 1998;

Project means any eligible hospital project as such term is defined in the Act;

Purchased Bonds means Bonds of a Series purchased by or at the direction of the Institution pursuant to the provisions of the Applicable Series Resolution authorizing the issuance of such Bonds or the Applicable Bond Series Certificate relating to such Bonds, as authorized by and in accordance with the Resolution;

Qualified Financial Institution means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000:

(i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Credit Facility Provider of Outstanding Bonds of a Series;

(ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a 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, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Credit Facility Provider of Outstanding Bonds of a Series;

(iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated by at least one nationally recognized statistical rating service no lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated by at least one nationally recognized statistical rating service no lower than in the highest rating category for such short term debt; provided, however, that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service or Credit Facility Provider of Outstanding Bonds of a Series;

(iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or

(v) a corporation whose obligations, including any investments of any moneys held under the Resolution, purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above;

Rating Service means each of Moody's Investors Service, Inc., Standard & Poor's Rating Services, and Fitch Ratings, in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns;

Record Date means, unless the Applicable Series Resolution authorizing an Applicable Series of Bonds or a Bond Series Certificate relating thereto provides otherwise with respect to Bonds of such Series, the first (1st) day (whether or not a business day) of the August and February preceding the next interest payment date;

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

Refunding Bonds means all Bonds, whether issued in one or more Applicable Series of Bonds, authenticated and delivered pursuant to the Resolution, and originally issued pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds;

"*Resolution*" means the Wyckoff Heights Medical Center Secured Hospital Revenue Bond Resolution, as the same may be from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions hereof;

Revenues means with respect to a particular Series of Bonds, all payments received or receivable by the Authority which, pursuant to (i) the Loan Agreement and Mortgage and (ii) the Applicable Service Contract, are to be paid to the Trustee (except payments to such Trustee for the administrative costs and expenses or fees of such Trustee and payments to such Trustee for deposit to the Applicable Arbitrage Rebate Fund) and secure such Bonds;

S&P means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, and its successors and assigns;

Secured Hospital Fund means such fund which is established pursuant to Section 7417-a of the Unconsolidated Laws of the State of New York;

Secured Hospital Revenue Bonds means bonds issued by the Agency or the Authority pursuant to Section 7417-a of the Unconsolidated Laws of the State of New York, and currently outstanding;

Securities means (i) money or (ii) Permitted Investments;

Serial Bonds means the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate;

Series means all of the Bonds authenticated and delivered on original issuance and pursuant to the Resolution and the Applicable Series Resolution, and any Bonds of such Series thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions;

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

Service Contract means the Applicable Service Contract entered into by the Director of the Budget and delivered to the Authority with respect to an Applicable Series of Bonds of a term not in excess of thirty (30) years pursuant to which the Director of the Budget agrees to pay to the Authority subject to appropriation by the State Legislature, such sums as are necessary to meet the debt service payments on the Applicable Series of Bonds in any Bond Year;

Sinking Fund Installment means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, so long as any such Bonds thereof are Outstanding, the amount of money required by the Applicable Series Resolution pursuant to which such Bonds were issued or by the Applicable Bond Series Certificate, to be paid on a single future February 15 for the retirement of any Outstanding Bonds of said Series which mature after said future February 15, but does not include any amount payable by the Authority by reason only of the maturity of such Bond, and said future February 15 is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be Bonds entitled to such Sinking Fund Installment;

Special Debt Service Reserve Fund means each such fund so designated and established by the Applicable Series Resolution pursuant to the Resolution;

Special Debt Service Reserve Fund Maximum Deposit means, as of any particular date of computation, the amount set forth in a Series Resolution or Bond Series Certificate relating to a Series of Bonds for such date of computation; provided, however, that there shall be no obligation to restore any withdrawal from a Special Debt Service Reserve Fund that results in the amount then remaining to be less than the Applicable Special Debt Service Reserve Fund Maximum Deposit;

State means the State of New York;

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

Tax Certificate means the tax certificate, dated the date of delivery of the Bonds, and executed and delivered by the Authority and the Institution in connection with the issuance of the Bonds setting forth the expectations of the Authority and the Institution with respect to the use, application and investment of proceeds of the Bonds and containing such other representations, agreements and undertakings as may be required by Bond Counsel;

Term Bonds means with respect to Bond of a Series, the Bonds so designated in an Applicable Series Resolution or an Applicable Bond Series Certificate and payable from Sinking Fund Installments;

Tri-Party Agreement means the Tri-Party Agreement between the Director of the Budget, the Commissioner of Health and the Authority pursuant to which the funds in the Secured Hospital Fund are disbursed; and

Trustee means a bank or trust company appointed as Trustee for an Applicable Series of the Bonds pursuant to the Applicable Series Resolution or the Bond Series Certificate delivered under the Resolution and having the duties, responsibilities and rights provided for herein with respect to such Series, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant hereto.

FORM OF APPROVING OPINION OF BOND COUNSEL

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APPENDIX G

FORM OF APPROVING OPINION OF BOND COUNSEL

Upon delivery of the Series 2015 Bonds, Harris Beach PLLC, Bond Counsel to the Authority, proposes to render its approving opinion in substantially the following form:

[Date of Closing]

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

Re: $58,875,000
Dormitory Authority of the State of New York
Secured Hospital Revenue Refunding Bonds
(Wyckoff Heights Medical Center), Series 2015

Ladies and Gentlemen:

We have examined a record of proceedings relating to the sale and issuance of $58,875,000 aggregate principal amount of Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015 (the "Series 2015 Bonds") of the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, but not limited to, the Health Care Financing Consolidation Act and as incorporated thereby, the New York State Medical Care Facilities Finance Agency Act being Chapter 392 of Laws of New York 1973, including Chapter 445 of the Laws of the State of New York 2014 (the "Act"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Resolutions (hereinafter defined).

The Series 2015 Bonds are issued under and pursuant to (i) the Constitution and laws of the State of New York, particularly the Act, (ii) the Authority's Wyckoff Heights Medical Center Secured Hospital Revenue Bond Resolution, adopted by the Authority on December 10, 2014 (the "Resolution"), (iii) the Authority's Series Resolution Authorizing Up To $70,000,000 Secured Hospital Revenue Refunding Bonds (Wyckoff Heights Medical Center), Series 2015, adopted by the Authority on December 10, 2014 (the "Series 2015 Resolution", and collectively with the Resolution, the "Resolutions"), and (iii) a Bond Series Certificate, dated January 9, 2015 (the "Bond Series Certificate"), delivered by an Authorized Officer of the Authority pursuant to the Resolutions setting forth certain terms of the Series 2015 Bonds.

The Series 2015 Bonds are being issued for the purposes set forth in the Resolutions. The Series 2015 Bonds are separately secured from all other Series of Bonds which may be issued upon the terms and conditions and for the purposes set forth in the Resolution.

The Series 2015 Bonds are dated their date of delivery and bear interest payable on February 15 and August 15 of each year until maturity, commencing August 15, 2015. Principal of the Series 2015 Bonds is payable annually on each February 15 until maturity and on August 15, 2021, commencing February 15, 2016. The Series 2015 Bonds will mature in the annual amounts and will bear interest at the respective rates per annum, as set forth in the Bond Series Certificate.

The Series 2015 Bonds are issuable in the form of fully registered bonds in the denominations of $5,000 or any integral multiple thereof. The Series 2015 Bonds shall be lettered "R-__" and numbered consecutively from one upward in order of issuance.

The Series 2015 Bonds are not subject to optional redemption prior to maturity but are subject to special redemption and State extraordinary redemption prior to maturity in the manner and upon the terms and conditions set forth in the Resolutions and the Bond Series Certificate.

The Authority and Wyckoff Heights Medical Center (the "Institution") have entered into a Loan Agreement, dated as of December 10, 2014 (the "Loan Agreement"), pursuant to which (a) the Authority has agreed to make a loan to the Institution of the proceeds of the Series 2015 Bonds for the purposes permitted thereby and by the Resolutions, and (b) the Institution is required to make payments sufficient to pay, among other things, the principal of and interest on the Series 2015 Bonds. All amounts payable under the Loan Agreement which are required to be paid to the Trustee under the Resolutions for payment of the principal of, or interest on, the Series 2015 Bonds or to maintain the Capital Reserve Fund established for the Series 2015 Bonds at its requirement have been pledged by the Authority for the benefit of the Holders thereof.

The Series 2015 Bonds are secured by the funds and accounts held under the Resolutions and a pledge of the revenues received by the Authority under the Loan Agreement and a mortgage on substantially all of the Institution's facilities (the "Mortgage"). Additionally, the Series 2015 are secured by a pledge of a service contact dated as of January 22, 2015 by and between the State of New York, State, acting by and through the Director of the Budget, and the Authority (the "Service Contract"), which provides for payments by the State of New York to the Authority, subject to annual appropriation by the State Legislature, in the event that all other pledged funds under the Resolutions are not sufficient to pay debt service on the Series 2015 Bonds.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met at the time of, and subsequent to, the issuance and delivery of the Series 2015 Bonds in order that interest thereon be and remain not included in gross income for federal income tax purposes under Section 103 of the Code. Included among these continuing requirements are certain restrictions and prohibitions on the use and investment of bond proceeds and other moneys or property, required ownership of the facilities financed and refinanced with the Series 2015 Bonds by an organization described in Section 501(c)(3) of the Code or governmental unit, and the rebate to the United States of certain earnings in respect of investments. In the Resolutions, the Loan Agreement, the Tax Certificate, dated the date hereof, of the Authority and the Institution (the "Tax Certificate"), the Authority and the Institution have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code.

In rendering the opinions set forth in paragraph 6 herein, we have assumed the accuracy of certain factual certifications of, and continuing compliance with, the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificate by the Authority and the Institution. In the event of the inaccuracy or incompleteness of any of the certifications made by the Authority or the Institution, or the failure by the Authority or the Institution to comply with the covenants, representations, warranties, provisions and procedures set forth in the Resolutions, the Loan Agreement and the Tax Certificate, interest on the Series 2015 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of the original execution and delivery of the Series 2015 Bonds, regardless of the date on which the event causing such inclusion occurs. We express no opinion as to any federal, state or local tax consequences with respect to the Series 2015 Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions, the Loan Agreement or the Tax Certificate or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Harris Beach PLLC. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2015 Bonds may affect the tax status of interest on the Series 2015 Bonds. Further, although interest on the Series 2015 Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2015 Bond depending upon the tax status of such holder and such holder's other items of income and deduction.

We have examined such certificates, documents, records and matters of law as we have deemed necessary for the purpose of rendering the opinions hereinafter set forth. We have also examined one of the Series 2015 Bonds as executed and authenticated.

Based on the foregoing, and subject to the further assumptions, qualifications and limitations noted below, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2015 Bonds thereunder.

2. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect, and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

3. The Resolutions validly pledge and assign the revenues received by the Authority under the Loan Agreement, the Mortgage and the Service Contract and any amounts (including proceeds of the sale of the Series 2015 Bonds), securities and funds established pursuant to the Resolutions, except the Rebate Fund, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions, including the payment of and interest on the Series 2015 Bonds.

4. The Series 2015 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2015 Bonds constitute legal, valid and binding special limited obligations of the Authority, payable as provided in, and enforceable against the Authority in accordance with, their terms and the terms of the Resolutions, and are entitled to the equal benefits of the Act and the Resolutions.

5. The Authority has the right and lawful authority and power to enter into the Loan Agreement and the Loan Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due execution and delivery thereof by the Institution, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes, regulations, administrative rulings and court decisions as of the date hereof, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. We note, however, that interest on the Series 2015 Bonds is included in "adjusted current earnings" for purposes of calculating the federal alternative minimum tax liability, if any, of certain corporations.

7. Under existing statutes, including the Act, interest on the Series 2015 Bonds is exempt from personal income taxes imposed by the State of New York and any of its political subdivisions.

The opinions contained in paragraphs 2, 4 and 5 above are qualified only to the extent that the enforceability of the Resolutions, the Series 2015 Bonds and the Loan Agreement may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) or as to the availability of any particular remedy, and except that the availability of the rights for the specific performance or injunctive relief may be subject to the discretion of the court.

Except as stated in paragraphs 6 and 7, herein, we express no opinion as to federal or state and local tax consequences of the ownership or disposition of the Series 2015 Bonds.

In rendering the foregoing opinions, we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2015 Bonds. In rendering the foregoing opinions, we have not been requested to examine any document or financial or other information concerning the Authority or the Institution other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2015 Bonds. In addition, we express no opinion as to the severability of any provisions of the Resolutions or the Loan Agreement.

Respectfully submitted

DORMITORY AUTHORITY OF THE STATE OF NEW YORK • SECURED HOSPITAL REVENUE REFUNDING BONDS (Wyckoff Heights Medical Center), Series 2015

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