NEW ISSUE – BOOK-ENTRY ONLY

DASNY

$1,089,370,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS
SERIES 2016A

Dated: Date of Delivery **Due: As Shown on the Inside Cover**

The Dormitory Authority of the State of New York State Sales Tax Revenue Bonds, Series 2016A (the "Series 2016A Bonds"), are special obligations of the Dormitory Authority of the State of New York ("DASNY"). The Series 2016A Bonds are secured solely by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of DASNY by the State of New York (the "State") under a financing agreement (the "Financing Agreement") between DASNY and the State, acting by and through the Director of the Division of the Budget (the "Director of the Budget"). Financing Agreement Payments are payable from amounts legally required to be deposited into the Sales Tax Revenue Bond Tax Fund (as defined herein) to provide for the payment of the Series 2016A Bonds and all other State Sales Tax Revenue Bonds (as defined herein). The Sales Tax Revenue Bond Tax Fund receives a statutory allocation from the revenues collected from the State's sales and compensating use taxes including interest and penalties (the "New York State Sales Tax") imposed on a statewide basis pursuant to Sections 1105 and 1110 of the New York State Tax Law (the "State Tax Law") less such amounts as may be necessary for refunds ("New York State Sales Tax Receipts") in an amount equal initially to a one percent rate of taxation (and increasing to a two percent rate of taxation as of a later date) (the "Sales Tax Revenue Bond Tax Fund Receipts") as more fully described herein. The Enabling Act provides that such Sales Tax Revenue Bond Tax Fund Receipts shall be separate and distinct from the portion of New York State Sales Tax Receipts required by State law to be deposited from time to time in the Local Government Assistance Tax Fund (the "Local Government Assistance Tax Fund Receipts") for the benefit of the New York Local Government Assistance Corporation ("LGAC").

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

The Series 2016A Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2016A Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2016A Bonds. DASNY has no taxing power.

The Series 2016A Bonds will be issued as fixed rate obligations, fully registered, in denominations of $5,000 or any integral multiple thereof. The Series 2016A Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2016A Bonds is payable on each March 15 and September 15, commencing March 15, 2017.

The Series 2016A Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7 — BOOK-ENTRY ONLY SYSTEM" herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2016A Bonds, payments of principal or redemption price of and interest on the Series 2016A Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

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

In the opinions of Hawkins Delafield & Wood LLP and Bryant Rabbino LLP, co-bond counsel to DASNY (collectively, "Co-Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Series 2016A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, Co-Bond Counsel are of the opinion that under existing statutes, interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "PART 12 — TAX MATTERS" herein regarding certain other tax considerations.

The Series 2016A Bonds are offered, when, as and if issued and delivered to the purchasers, and are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Bryant Rabbino LLP, New York, New York, and to certain other conditions. It is expected that the Series 2016A Bonds will be delivered in definitive form in New York, New York, on or about September 29, 2016.

September 22, 2016

$1,089,370,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS
SERIES 2016A

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers†	Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers†
2019	$46,860,000	5.00%	0.89%	64990AFH3	2028	$57,570,000	5.00%	1.85%*	64990AEY7
2020	74,185,000	5.00	0.98	64990AFJ9	2029	60,450,000	5.00	1.94*	64990AEZ4
2021	34,045,000	5.00	1.06	64990AFK6	2030	63,485,000	5.00	2.02*	64990AFA8
2022	44,280,000	5.00	1.15	64990AFL4	2031	66,650,000	5.00	2.07*	64990AFB6
2023	46,470,000	5.00	1.27	64990AFM2	2032	69,980,000	5.00	2.13*	64990AFC4
2024	48,800,000	5.00	1.43	64990AFN0	2033	73,485,000	5.00	2.18*	64990AFD2
2025	51,240,000	5.00	1.55	64990AFP5	2034	77,150,000	5.00	2.23*	64990AFE0
2026	53,800,000	5.00	1.66	64990AFQ3	2035	81,020,000	5.00	2.28*	64990AFF7
2027	54,835,000	5.00	1.74*	64990AEX9	2036	85,065,000	5.00	2.32*	64990AFG5

† Copyright, American Bankers Association. CUSIP numbers have been assigned by Standard & Poor's, CUSIP Service Bureau and are provided solely for the convenience of the holders of the Series 2016A Bonds. DASNY is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2016A Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2016A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016A Bonds.

* Priced at the stated yield to the September 15, 2026 optional redemption date at a redemption price of 100%.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016A Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the State, DASNY and other sources which are believed to be reliable by DASNY and with respect to the information supplied or authorized by the State, is not to be construed as a representation by DASNY. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or DASNY. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

In connection with offers and sales of the Series 2016A Bonds, no action has been taken by DASNY that would permit a public offering of the Series 2016A Bonds, or possession or distribution of any information relating to the pricing of the Series 2016A Bonds, this Official Statement or any other offering or publicity material relating to the Series 2016A Bonds, in any non-U.S. jurisdiction where action for that purpose is required. Accordingly, initial purchasers are obligated to comply with all applicable laws and regulations in force in any non-U.S. jurisdiction in which it purchases, offers or sells the Series 2016A Bonds or possesses or distributes this Official Statement or any other offering or publicity material relating to the Series 2016A Bonds and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Series 2016A Bonds under the laws and regulations in force in any non-U.S. jurisdiction to which it is subject or in which it makes such purchases, offers or sales and DASNY shall have no responsibility therefor.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016A BONDS, THE PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

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PART 1 — SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2016A Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

State Sales Tax Revenue Bond Financing Program	Article 5-F and Article 6 (Section 92-h) of the New York State Finance Law (the "State Finance Law"), as the same may be amended from time to time (the "Enabling Act"), provide for the issuance of, and a source of payment for, the State Sales Tax Revenue Bonds by establishing the Sales Tax Revenue Bond Tax Fund (the "Sales Tax Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the "Commissioner") and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes DASNY, the New York State Thruway Authority (the "Thruway Authority") and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Sales Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). Prior to the initial issuance of any State Sales Tax Revenue Bonds, if any, by an Authorized Issuer, such Authorized Issuer will adopt one or more general resolutions and execute financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Sales Tax Revenue Bonds issued by the Authorized Issuers will have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including DASNY. State Sales Tax Revenue Bonds issued by an Authorized Issuer are or will be secured by a pledge of: (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon, which together constitute the pledged property under the applicable general resolution.
Purpose of Issue	The Series 2016A Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State. In addition, proceeds of the Series 2016A Bonds will be used to pay all or a portion of the cost of issuance of the Series 2016A Bonds. See "PART 2 — INTRODUCTION" and "PART 6 — THE PROJECTS" for a more complete description of the expected application of proceeds of the Series 2016A Bonds.

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

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

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

New York State Sales Tax Receipts and the Sales Tax Revenue Bond Tax Fund Receipts for State Fiscal Years 2014-15 through 2016-17 are as follows:

State Fiscal Year	**New York State Sales Tax Receipts** (in billions)	**Sales Tax Revenue Bond Tax Fund Receipts** (in billions)
2014-15	$12.1	$3.0
2015-16	12.5	3.1
2016-17*	13.0	3.2

* As estimated in the First Quarterly Update to the FY 2017 Financial Plan.

The Series 2016A Bonds are special obligations of DASNY, secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of DASNY pursuant to the Financing Agreement and certain funds held by the Trustee under DASNY's State Sales Tax Revenue Bonds General Bond Resolution adopted on September 11, 2013 (the "General Resolution").

The Series 2016A Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Sales Tax Revenue Bonds issued by any Authorized Issuer will be on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund, subject to annual appropriation by the New York State Legislature (the "State Legislature").

Sources of Payment and Security for State Sales Tax Revenue Bonds — Sales Tax Revenue Bond Tax Fund Receipts ***(continued)***	Financing agreement payments are made from Sales Tax Revenue Bond Tax Fund Receipts and deposited, as required by the Enabling Act, to the Sales Tax Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Sales Tax Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on the State Sales Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Sales Tax Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.** The Enabling Act provides that: (i) no person (including Authorized Issuers or holders of State Sales Tax Revenue Bonds) shall have any lien on amounts on deposit in the Sales Tax Revenue Bond Tax Fund; (ii) Sales Tax Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Sales Tax Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Sales Tax. For additional information, see "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS" and "PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND." **The Series 2016A Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2016A Bonds be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2016A Bonds. DASNY has no taxing power.** **The Series 2016A Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by the application of the proceeds of Series 2016A Bonds.**
Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Sales Tax Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Sales Tax Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature. The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Sales Tax Revenue Bond Tax Fund Receipts anticipated to be deposited in the Sales Tax Revenue Bond Tax Fund and the amount of all set-asides necessary

Set Aside for Purpose of Making Financing Agreement Payments *(continued)*	to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2016-17. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS."
Availability of General Fund to Satisfy Set-Aside of Sales Tax Revenue Bond Tax Fund Receipts	If at any time the amount of Sales Tax Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Sales Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund of the State (the "General Fund") to the Sales Tax Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.
Moneys Held in Sales Tax Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts	In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Sales Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Sales Tax Revenue Bonds, the Enabling Act requires that all Sales Tax Revenue Bond Tax Fund Receipts remain in such fund. Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Sales Tax Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including DASNY. After the required appropriations and financing agreement payments have been made, excess moneys in the Sales Tax Revenue Bond Tax Fund are to be paid over and distributed to the credit of the General Fund. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — Moneys Held in the Sales Tax Revenue Bond Tax Fund."
Additional Bonds and Debt Service Coverage	The Enabling Act and each of the general resolutions permit or are expected to permit the Authorized Issuers to issue additional State Sales Tax Revenue Bonds subject to (a) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for particular Authorized Purposes and (b) the additional bonds test described below and included (or to be included) in each general resolution authorizing State Sales Tax Revenue Bonds. As provided in the General Resolution, and expected to be provided in each of the general resolutions of the other Authorized Issuers, and subject to an exception for certain refunding bonds as described herein, additional State Sales Tax Revenue Bonds may be issued only if the amount of Sales Tax Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum annual Calculated Debt Service on all outstanding State Sales Tax Revenue Bonds, the additional State Sales Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.

Additional Bonds and Debt Service Coverage *(continued)*	In accordance with the additional bonds debt service coverage test described above, Sales Tax Revenue Bond Tax Fund Receipts of approximately $3.1 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 5.3 times the maximum annual debt service on all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2016A Bonds. While additional State Sales Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes as noted herein, in no event may any additional State Sales Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — Additional Bonds" and "PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND — Projected Debt Service Coverage." As of September 1, 2016, approximately $4.3 billion of State Sales Tax Revenue Bonds were outstanding.
Appropriation by State Legislature	The State Legislature is expected to make appropriations annually from amounts on deposit in the Sales Tax Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Sales Tax Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. Such an appropriation has been enacted for State Fiscal Year 2016-17. Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for State general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation bonds. In the event that such revenues and other amounts in the General Fund are insufficient to pay State general obligation bondholders, the State may also use amounts on deposit in the Sales Tax Revenue Bond Tax Fund as well as other funds to pay debt service on State general obligation bonds. The Division of the Budget is not aware of any existing circumstances that would cause Sales Tax Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.
Continuing Disclosure	In order to assist the purchasers of the Series 2016A Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), DASNY, the State and the Trustee have entered into a Master Continuing Disclosure Agreement (the "Master Disclosure Agreement"). It is expected that on or before the issuance of State Sales Tax Revenue Bonds, if any, by each of the other Authorized Issuers, such Authorized Issuer and the applicable trustee will join as parties to the Master Disclosure Agreement by executing the same. See "PART 18 — CONTINUING DISCLOSURE" and "APPENDIX E — FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT."

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

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

OFFICIAL STATEMENT

Relating to

$1,089,370,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SALES TAX REVENUE BONDS
SERIES 2016A

PART 2 — INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary Statement and the appendices, is to set forth certain information concerning the State and DASNY, a public benefit corporation of the State, in connection with the offering by DASNY of its $1,089,370,000 State Sales Tax Revenue Bonds, Series 2016A (the "Series 2016A Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2016A Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Sales Tax Revenue Bonds, including the Series 2016A Bonds, and the statutory allocation from New York State Sales Tax Receipts collected from the New York State Sales Tax imposed by Sections 1105 and 1110 of the State Tax Law, which allocation of New York State Sales Tax Receipts is required to be deposited in the Sales Tax Revenue Bond Tax Fund to provide for the payment of State Sales Tax Revenue Bonds as more fully discussed herein. Such New York State Sales Tax Receipts exclude amounts the Commissioner determines to be necessary for refunds. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — The Sales Tax Revenue Bond Tax Fund."

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

The Series 2016A Bonds are authorized to be issued pursuant to the Enabling Act, and the Dormitory Authority Act, constituting Title 4 of Article 8 of the New York State Public Authorities Law, as amended and supplemented (the "Authority Act"), and other provisions of State law. The Enabling Act authorizes the Authorized Issuers to issue State Sales Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (the "Authorized Purposes"). The issuance of State-supported Debt is limited in the State Finance Law to the financing of capital works or purposes only, which include the acquisition, construction, demolition or replacement of fixed assets, the major repair or renovation thereof, or the planning or design of the acquisition, construction, demolition, replacement, repair or renovation of fixed assets.

The Series 2016A Bonds are additionally authorized under the General Resolution, as supplemented by DASNY's Supplemental Resolution 2016-1 Authorizing State Sales Tax Revenue Bonds, adopted on July 20, 2016 (the "Series 2016A Supplemental Resolution") (the General Resolution, together with the Series 2016A Supplemental Resolution, being herein, except as the context otherwise indicates, collectively referred to as the "Resolution," and any bonds issued pursuant to the General Resolution, including the Series 2016A Bonds, being herein referred to as the "Bonds").

The Series 2016A Bonds, and any other series of Bonds heretofore issued or which may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2016A Bonds and all other State Sales Tax Revenue Bonds, if any, issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements to be entered into by such Authorized Issuer upon its initial issuance of State Sales Tax Revenue Bonds, if any, and the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the "Pledged Property"). The financing agreements and the general resolutions for State Sales Tax Revenue Bonds issued by the Authorized Issuers will have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are required to equal the amounts necessary to pay the debt service and other cash requirements on all State Sales Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Sales Tax Revenue Bonds will be on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of September 1, 2016, approximately $4.3 billion of State Sales Tax Revenue Bonds were outstanding. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS — Series 2016A Bonds" and "— Additional Bonds."

The Series 2016A Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State. In addition, proceeds of the Series 2016A Bonds will be used to pay all or a portion of the cost of issuance of the Series 2016A Bonds. For a more complete description of the expected application of proceeds of the Series 2016A Bonds, see "PART 6 — THE PROJECTS" herein. **The Series 2016A Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed with proceeds of the Series 2016A Bonds.**

The revenues, facilities, properties and any and all other assets of DASNY of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise, applied to, the payment of State Sales Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes. See "PART 10 — DASNY" for a further description of DASNY.

The Series 2016A Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2016A Bonds be payable out of any funds other than those of DASNY

pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2016A Bonds. DASNY has no taxing power.

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

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

The Sales Tax Revenue Bond Tax Fund

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

Financing agreement payments made from amounts set aside in the Sales Tax Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Sales Tax Revenue Bonds) shall have any lien on amounts on deposit in the Sales Tax Revenue Bond Tax Fund; (ii) Sales Tax Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Sales Tax Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Sales Tax.

Series 2016A Bonds

The Series 2016A Bonds are special obligations of DASNY, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to The Bank of New York Mellon, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of DASNY in accordance with the terms and provisions of the Financing Agreement, subject to annual appropriation by the State Legislature, and the Funds and Accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the General Resolution). A copy of the form of the Financing Agreement relating to the Series 2016A Bonds is included as APPENDIX C hereto. The Series 2016A Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property.

The Enabling Act and each of the general resolutions permit or are expected to permit the Authorized Issuers to issue additional State Sales Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included (or to be included) in each general resolution authorizing State Sales Tax Revenue Bonds. In accordance with the additional bonds test described herein, Sales Tax Revenue Bond Tax Fund Receipts on a pro forma basis, of approximately $3.1 billion are available to pay Financing Agreement Payments, which amount represents approximately 5.3 times the maximum annual Debt Service for all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2016A Bonds. While additional State Sales Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes, in no event may any additional State Sales Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See "— Additional Bonds" below and "PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND — Projected Debt Service Coverage."

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

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

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Sales Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Director of the Budget.

2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an <u>estimate</u> of:

   (a) the amount of the estimated monthly New York State Sales Tax Receipts to be deposited in the Sales Tax Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and

(b) the monthly amounts necessary to be set aside in the Sales Tax Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.

3. Based on the Certificate of the Director of the Budget, the State Comptroller is required to set aside on a monthly basis Sales Tax Revenue Bond Tax Fund Receipts in amounts calculated to be sufficient to pay debt service on all State Sales Tax Revenue Bonds and other cash requirements of the Authorized Issuers when due, as more particularly described below under the heading "— Set Aside of Sales Tax Revenue Bond Tax Fund Receipts."

The Director of the Budget may amend such certification as shall be necessary, provided that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Sales Tax Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or "swap") agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual Sales Tax Revenue Bond Tax Fund Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall deposit Sales Tax Revenue Bond Tax Fund Receipts so certified by the Commissioner in the Sales Tax Revenue Bond Tax Fund.

Set Aside of Sales Tax Revenue Bond Tax Fund Receipts

As provided by the Enabling Act, the general resolutions, the financing agreements and the certificate of the Director of the Budget, the State Comptroller is required to set aside, on a monthly basis, Sales Tax Revenue Bond Tax Fund Receipts on deposit in the Sales Tax Revenue Bond Tax Fund, until:

(a) with respect to financing agreement payments to be made to Authorized Issuers on a semi-annual or annual basis, the amount set aside in the fund during the then current month, together with amounts previously set aside in the fund, equals the sum of (i) one-fifth of the interest due on such obligations on the next succeeding interest payment date multiplied by the number of months from the last such interest payment, and (ii) one-eleventh of the next principal installment due on such obligations where principal is due on an annual basis or one-fifth of the next principal installment due on such obligations where principal is due on a semi-annual basis, in each case multiplied by the number of months from the last such principal payment; and

(b) with respect to financing agreement payments due on a monthly basis or more frequently, the amount so set aside is, in the reasonable judgment of the Director of the Budget as set forth in his or her certificate, sufficient to make the required payment on or before such payment date.

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

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

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

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Flow of Sales Tax Revenue Bond Tax Fund Receipts

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

On or before October 1

Authorized Issuers submit to the Division of the Budget the schedule of anticipated cash requirements (which include financing agreement payments) due with respect to State Sales Tax Revenue Bonds for the next State Fiscal Year and for the four subsequent State Fiscal Years

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No later than 30 Days after Budget Submission (no later than March 1)

Director of the Budget submits a certificate to the State Comptroller which estimates for the following State Fiscal Year:*

- The amount of New York State Sales Tax Receipts to be deposited into the Sales Tax Revenue Bond Tax Fund as Sales Tax Revenue Bond Tax Fund Receipts**
- The monthly set-asides for financing agreement payments and other cash requirements of the Authorized Issuers (for State Sales Tax Revenue Bonds that pay interest semi-annually and principal annually, the set aside amounts are 1/5 of the next interest payment and 1/11 of the next principal payment)

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On or before the 12th Day of Each Month

The Commissioner certifies to the State Comptroller the amount of actual Sales Tax Revenue Bond Tax Fund Receipts for the prior month and the State Comptroller deposits the amount so certified in the Sales Tax Revenue Bond Tax Fund

Sales Tax Revenue Bond Tax Fund Receipts which have been set aside to make financing agreement payments and meet other cash requirements are required to remain in the Sales Tax Revenue Bond Tax Fund until appropriated and paid to the applicable trustees on behalf of the Authorized Issuers

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Not later than the 15th Day of Each Month and the 31st Day of March

After all monthly amounts necessary to make financing agreement payments and meet other cash requirements have been set aside as certified by the Director of the Budget and, provided appropriations have been made to pay all such amounts, the State Comptroller shall distribute all excess moneys in the Sales Tax Revenue Bond Tax Fund to the General Fund

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

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

Moneys Held in the Sales Tax Revenue Bond Tax Fund

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

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

In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Sales Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Sales Tax Revenue Bonds, the Enabling Act requires that all of the New York State Sales Tax Receipts required to be deposited in the Sales Tax Revenue Bond Tax Fund remain in such fund. Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Sales Tax Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) until such time as the required appropriations have been made and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including DASNY.

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

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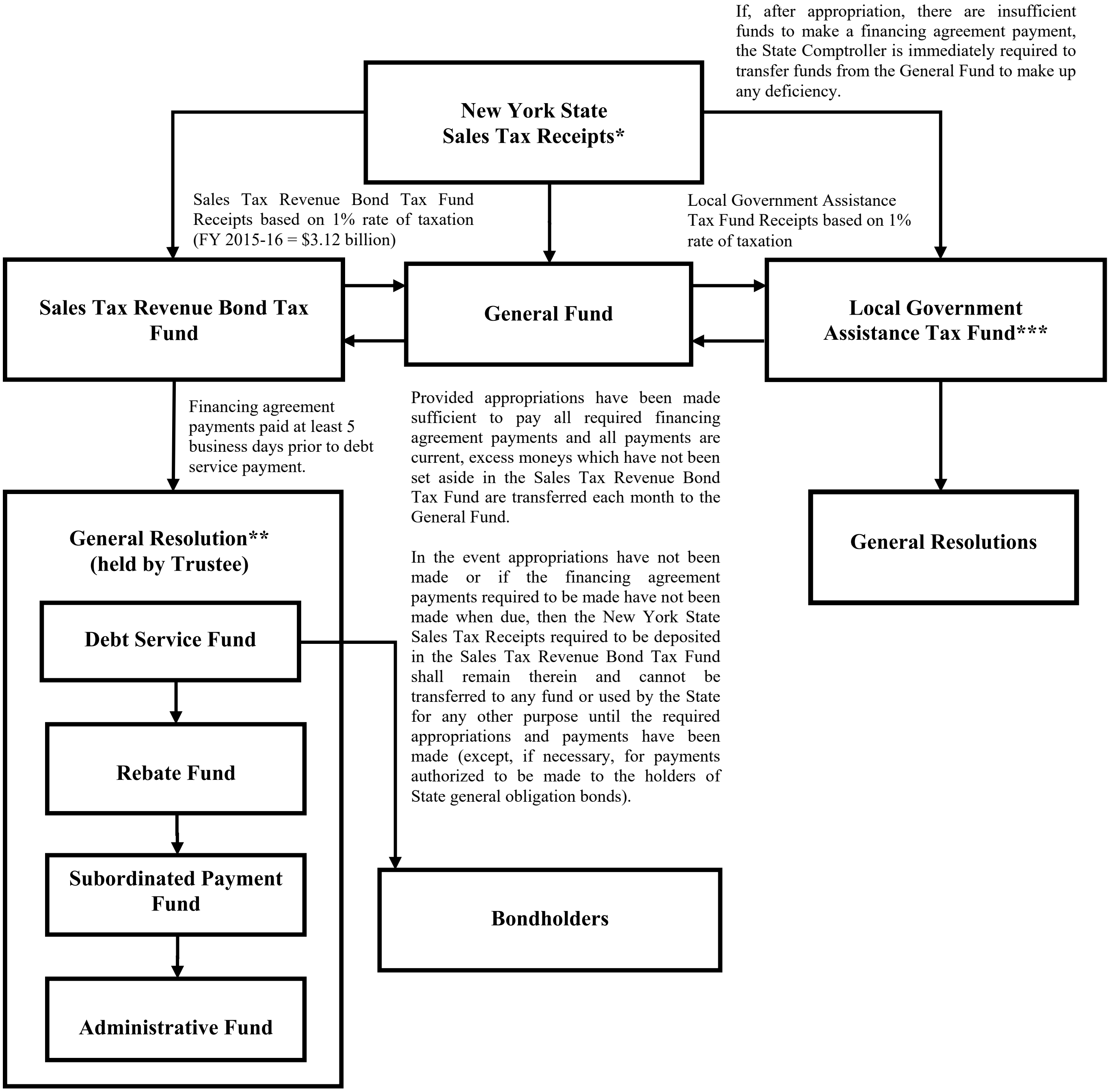
Flow of New York State Sales Tax Receipts



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

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

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

Appropriation by the State Legislature

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Sales Tax Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See "— Moneys Held in the Sales Tax Revenue Bond Tax Fund" in this section.

It is expected that the State Legislature will make an appropriation by amounts on deposit in the Sales Tax Revenue Bond Tax Fund sufficient to pay Financing Agreement Payments when due. Sales Tax Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay Financing Agreement Payments. The Enabling Act prohibits the transfer of moneys in the Sales Tax Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation bonds) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Sales Tax.

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

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

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

The Division of the Budget is not aware of any existing circumstances that would cause Sales Tax Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.

Additional Bonds

As provided in the General Resolution, and expected to be provided in each of the general resolutions of the other Authorized Issuers, except as provided in the next paragraph with respect to certain refunding bonds, additional State Sales Tax Revenue Bonds may be issued only if the amount of Sales Tax Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum annual Calculated Debt Service on all outstanding State Sales Tax Revenue Bonds, the additional State Sales Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.

The General Resolution also provides, and each of the other general resolutions is also expected to provide, that additional State Sales Tax Revenue Bonds may be issued to refund outstanding State Sales Tax Revenue Bonds either by meeting the debt service coverage test described above or, in the alternative, by demonstrating that maximum annual debt service on all outstanding State Sales Tax Revenue Bonds will not increase as a result of such refunding.

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

Parity Reimbursement Obligations

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

Certain Covenants of the State

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

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

Reservation of State's Right to Substitute Credit

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

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

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

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

General

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

To reduce tax evasion, special provisions for remitting the New York State Sales Tax on motor fuel and cigarettes have been enacted. Since 1985, the New York State Sales Tax on gasoline has been remitted by the first importer of the fuel into New York. Prior to 2006, the New York State Sales Tax was prepaid at a per gallon rate based on regional prices. Currently, the pre-payment is fixed at 17.5 cents in the Metropolitan Commuter Transportation District ("MCTD") region, excluding Long Island, 21 cents in Nassau and Suffolk counties, and 16 cents per gallon for the rest of the State. The cigarette prepayment rate is 8 percent and is prepaid by cigarette agents at the same time as payment for cigarette excise tax stamps.

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

New York State Sales Tax Receipts

New York State Sales Tax Receipts constitute the State's second largest source of tax receipts after the personal income tax and accounted for approximately 17.9 percent of State tax receipts in all State Funds in State Fiscal Year 2015-16. The level of New York State Sales Tax Receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to collections of the New York State Sales Tax will be indicative of future receipts.

The following table sets forth historical information relating to New York State Sales Tax Receipts from State Fiscal Years 2006-07 through 2015-16, and estimated amounts for the State Fiscal Year 2016-17. The information reflects State Tax Law changes described below.

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

State Fiscal Year	New York State Sales Tax Receipts	Sales Tax Revenue Bond Tax Fund Receipts[2]	% Change[3]
2006-07	$10.050	$ 2.511	(4.0)%
2007-08	10.590	2.646	5.4
2008-09	10.274	2.567	(3.0)
2009-10	9.871	2.467	(3.9)
2010-11	10.782	2.697	9.3
2011-12	11.125	2.780	3.1
2012-13	11.232	2.809	1.0
2013-14	11.786	2.954	5.2
2014-15	12.137	3.027	2.5
2015-16	12.485	3.121	3.1
2016-17[4]	12.957	3.239	3.8

Source: Division of the Budget.

(1) Reflects sales and compensating use tax receipts, net of refunds. Amounts are unadjusted for rate and base changes.
(2) Reflects amounts equivalent to a 1 percent rate of taxation. Amounts shown prior to the enactment of the Sales Tax Revenue Bond Tax Fund (pre-2013-14) are pro forma.
(3) Represents growth rate of net receipts of 1% rate share.
(4) As estimated in the First Quarterly Update to the FY 2017 Financial Plan.

Actual 2006-07 receipts of $10.050 billion reflect an increase of 4.2 percent in the continuing New York State Sales Tax base as well as State Tax Law changes. These State Tax law changes included an increase in the vendor credit, the New York State Sales Tax on motor fuel and diesel motor fuel capped at eight cents per gallon, and the exemption for items of clothing and footwear priced under $110 went back into effect on April 1, 2006.

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

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

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

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

Actual 2011-12 receipts of $11.125 billion reflect an increase of 4.0 percent in the continuing New York State Sales Tax base and State Tax Law changes such as the tax modernization project. In addition, clothing and footwear priced up to $55 were exempt from New York State Sales Tax until March 31, 2012.

Actual 2012-13 receipts of $11.232 billion reflect an increase of 3.3 percent in the continuing New York State Sales Tax base and State Tax Law changes such as the exemption for items of clothing and footwear priced under $110, which went back into effect on April 1, 2012.

Actual 2013-14 receipts of $11.786 billion reflect an increase of 4.0 percent in the continuing New York State Sales Tax base and certain State Tax Law changes affecting sales tax receipts that went into effect during FY 2013-14. These State Tax Law changes included START-UP NY (tax-free zones on or near qualifying university and college campuses), a driver's license suspension program for certain tax delinquencies and restrictions on certain Industrial Development Agencies ("IDAs") retail projects and a benefit clawback provision.

Actual 2014-15 receipts of $12.137 billion reflect an increase of 5.0 percent in the continuing New York State Sales Tax base and State Tax Law changes. These Tax Law changes included increasing the sales tax exemption from $0.75 to $1.50 on certain food and drink items sold through vending machines and establishing three regions for the prepaid sales tax on fuel to reduce tax evasion at retail.

Actual 2015-16 receipts of $12.485 billion reflect an increase of 4.1 percent in the continuing New York State Sales Tax base and State Tax Law changes. These Tax Law changes included imposing local sales tax on prepaid wireless based on retail location instead of the customer's residence, exempting solar purchase power agreements from state and local sales tax, extending wine tasting sales and use tax exemption to other alcoholic beverages, an exemption of the portion of the purchase or lease of a boat in excess of $230,000 from sales and use tax, exempting general aviation aircraft and machinery or equipment installed on aircraft from state and local sales tax, and exempting certain related-party sales arising as a result of the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act.

FY 2016-17 receipts are estimated to be $12.957 billion, reflecting an increase of 3.8 percent in the continuing New York State Sales Tax base and State Tax Law changes. These changes include motor fuel enforcement provisions that require wholesalers to file informational returns that will be used to audit retailers, and the exemption of feminine hygiene products.

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

The following table sets forth monthly Sales Tax Revenue Bond Tax Fund Receipts from April 1, 2012 through August 31, 2016 and reflects the State Tax Law changes described above.

Monthly Sales Tax Revenue Bond Tax Fund Receipts[1]
April 1, 2012 Through August 31, 2016
(Millions of Dollars)

MONTH	2012-13	%[2]	2013-14	%[2]	2014-15	%[2]	2015-16	%[2]	2016-17
APRIL	$ 195.3	7%	$ 163.3[3]	6%	$ 215.8	7%	$ 240.0	8%	$ 249.1
MAY	207.7	7	271.4[3]	9	228.1	8	232.7	7	237.2
JUNE	279.1	10	302.3	10	301.0	10	319.8	10	327.5
JULY	211.6	8	226.4	8	234.5	8	248.4	8	254.2
AUGUST	211.5	8	225.9	8	233.0	8	241.8	8	242.7
SEPTEMBER	287.1	10	297.4	10	309.9	10	320.3	10	
OCTOBER	212.4	8	223.5	8	232.8	8	218.3	7	
NOVEMBER	207.2	7	223.2	8	236.1	8	241.2	8	
DECEMBER	287.4	10	297.4	10	306.2	10	297.2	10	
JANUARY	232.4	8	236.1	8	242.4	8	254.2	8	
FEBRUARY	200.3	7	201.0	7	200.4	7	206.9	7	
MARCH	276.6	10	286.4	10	286.3	10	300.6	10	
TOTAL	$2,808.6	100%	$2,954.1	100%	$3,026.6	100%	$3,121.3	100%	

Source: Division of the Budget.

(1) Amounts reflect the monies directed to the Sales Tax Revenue Bond Tax Fund starting April 1, 2013; amounts shown prior to the enactment of the Sales Tax Revenue Bond Tax Fund are pro forma.
(2) Percentages indicate the monthly share of yearly receipts.
(3) In May 2014, receipts were adjusted upward by roughly $54 million to reflect monies that should have been posted in April.

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

History of Industry Shares of New York State Sales Tax Receipts

Year[1]	Retail Trade	Services	Wholesale Trade	Information	Other[2]	Utilities	Manufacturing	Construction	Unclassified
2005	52.0%	20.4%	8.0%	7.2%	4.0%	3.1%	2.4%	2.1%	0.9%
2006	50.0	21.0	8.6	7.1	4.2	3.5	2.4	2.1	1.2
2007	45.8	23.4	8.7	7.5	4.7	3.4	2.7	2.4	1.4
2008	44.1	25.0	8.8	7.6	4.8	3.5	2.8	2.5	1.0
2009	44.2	25.1	9.0	7.7	4.6	3.6	2.7	2.5	0.7
2010	45.1	25.4	8.4	7.8	4.6	3.5	2.5	2.3	0.4
2011	48.2	25.7	5.0	6.4	4.5	3.5	4.3	2.3	0.2
2012	48.4	26.2	5.2	6.0	4.5	3.1	4.2	2.4	0.0
2013	46.4	26.7	5.5	7.0	4.6	3.1	4.2	2.5	0.1
2014[3]	45.7	27.4	5.5	6.8	4.5	3.3	4.1	2.6	0.1

Source: New York State Department of Taxation and Finance.

(1) March to February.
(2) Includes Agriculture, Mining, Transportation, FIRE (Finance, Insurance and Real Estate), Education, and Government.
(3) Preliminary.

Debt Service Coverage

The following table sets forth (1) Sales Tax Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum annual debt service on all outstanding State Sales Tax Revenue Bonds, including the debt service on the Series 2016A Bonds, and (3) resulting debt service coverage. There can be no assurance that actual Sales Tax Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting New York State Sales Tax Receipts that cannot be predicted at this time.

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

Sales Tax Revenue Bond Tax Fund Receipts	$3,148,318
Maximum Annual Debt Service	$589,096
Debt Service Coverage	5.3x

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Annual Information Statement of the State of New York dated June 29, 2016), including assumed average State Sales Tax Revenue Bond issuances of approximately $1.3 billion annually over the next four years, State Sales Tax Revenue Bond debt service coverage based only upon the Sales Tax Revenue Bond Tax Fund's statutory allocation of an amount equal to a one percent rate of taxation is expected to decline from 5.0 times in State Fiscal Year 2016-17 to 3.9 times in State Fiscal Year 2019-20.

Projected Debt Service Coverage on State Sales Tax Revenue Bonds
State Fiscal Years 2016-17 Through 2019-20
(Dollars in Thousands)

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Projected Sales Tax Revenue Bond Tax Fund Receipts	$3,240,531	$3,408,125	$3,554,625	$3,692,875
Projected New State Sales Tax Revenue Bonds Issuances	1,250,561	1,288,078	1,326,720	1,366,521
Projected Total State Sales Tax Revenue Bonds Outstanding	5,152,128	6,041,736	6,958,195	8,040,927
Projected Maximum Annual Debt Service	641,833	744,089	829,224	952,867
Projected Debt Service Coverage	5.0x	4.6x	4.3x	3.9x

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

PART 5 — DESCRIPTION OF THE SERIES 2016A BONDS

General

The Series 2016A Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery payable on March 15, 2017, and on each September 15 and March 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2016A Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Series 2016A Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2016A Bonds. Principal or redemption price of and interest on the Series 2016A Bonds are payable by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2016A Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 7 — BOOK-ENTRY ONLY SYSTEM" below).

Optional Redemption

The Series 2016A Bonds maturing on and before March 15, 2026 are not subject to optional redemption prior to maturity. The Series 2016A Bonds maturing after March 15, 2026 are subject to optional redemption prior to maturity on or after September 15, 2026, in any order, at the option of DASNY, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2016A Bonds at the option of DASNY, DASNY will select the maturities of the Series 2016A Bonds to be redeemed.

If less than all of the Series 2016A Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2016A Bond of such maturity to be redeemed a distinctive number for each unit of the principal amount of such Series 2016A Bonds, equal to the lowest denomination in which such Series 2016A Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2016A Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2016A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2016A Bonds to be redeemed.

Any notice of redemption of the Series 2016A Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2016A Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from DASNY that Series 2016A Bonds are to be redeemed, the Trustee shall give notice, in the name of DASNY, of the redemption of such Series 2016A Bonds, which notice shall specify the Series 2016A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2016A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2016A Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2016A Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2016A Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2016A Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than thirty (30) days before the redemption date, to the Owners of any Series 2016A Bonds or portions of Series 2016A Bonds, which are to be redeemed, at their last address, if any, appearing upon the registry books.

PART 6 — THE PROJECTS

The Series 2016A Bonds are being issued for the purposes of financing Authorized Purposes.

It is expected that proceeds of the Series 2016A Bonds will be used to finance or reimburse all or a portion of the costs of programs and projects within the State, including capital projects for road, highway and other transportation infrastructure programs, grants for educational and library facilities and construction of the State Court Officers Training Academy in Brooklyn. Additionally, all or a portion of the cost of issuance of the Series 2016A Bonds will be financed with the proceeds thereof. **The Series 2016A Bonds are not secured by the Projects or any interest therein.**

PART 7 — BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2016A Bonds. References to the Series 2016A Bonds under this caption "— Book-Entry Only System" shall mean all Series 2016A Bonds, the beneficial interests in which are owned in the United States. The Series 2016A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016A Bond certificate will be issued for each maturity of each series of the Series 2016A Bonds, each in the aggregate principal amount of such maturity (and interest rates, if applicable), and will be deposited with DTC.

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

Purchases of the Series 2016A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2016A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016A Bonds, except in the event that use of the book-entry system for the Series 2016A Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of any series of the Series 2016A Bonds within a stated maturity (and interest rates, if applicable) are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity (and interest rates, if applicable) to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2016A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to DASNY as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2016A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from DASNY or the Trustee on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or DASNY, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or DASNY, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DASNY and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2016A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2016A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the Series 2016A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. DASNY and the Trustee shall not have any responsibility or obligation to any Direct or Indirect Participant, any person claiming a beneficial ownership interest in the Series 2016A Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of DASNY (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal, redemption premium, if any, or interest on the Series 2016A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by DASNY; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

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

DASNY may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2016A Bonds. In that event, Series 2016A Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2016A Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER DASNY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2016A BONDS.

So long as Cede & Co. is the registered owner of the Series 2016A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016A Bonds (other than under the caption "PART 12 — TAX MATTERS" and "PART 18 — CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2016A Bonds.

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

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

NEITHER DASNY NOR THE PURCHASERS SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2016A BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2016A BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2016A BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2016A BONDS; OR (6) ANY OTHER MATTER.

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PART 8 — DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2016A Bonds, for the payment of debt service on other outstanding State Sales Tax Revenue Bonds and the aggregate total during each such period.

	Series 2016A Bonds				
12-Month Period Ending March 31	**Principal Payments**	**Interest Payments**	**Total Debt Service**	**Other Outstanding State Sales Tax Revenue Bonds Debt Service**[(1)(2)]	**Aggregate Debt Service**[(2)]
2017		$ 25,116,031	$ 25,116,031	$544,337,444	$569,453,475
2018		54,468,500	54,468,500	534,627,894	589,096,394
2019	$ 46,860,000	54,468,500	101,328,500	484,968,844	586,297,344
2020	74,185,000	52,125,500	126,310,500	294,527,994	420,838,494
2021	34,045,000	48,416,250	82,461,250	503,830,094	586,291,344
2022	44,280,000	46,714,000	90,994,000	306,140,144	397,134,144
2023	46,470,000	44,500,000	90,970,000	306,145,144	397,115,144
2024	48,800,000	42,176,500	90,976,500	291,711,144	382,687,644
2025	51,240,000	39,736,500	90,976,500	292,399,225	383,375,725
2026	53,800,000	37,174,500	90,974,500	263,215,563	354,190,063
2027	54,835,000	34,484,500	89,319,500	235,955,063	325,274,563
2028	57,570,000	31,742,750	89,312,750	207,637,563	296,950,313
2029	60,450,000	28,864,250	89,314,250	207,634,063	296,948,313
2030	63,485,000	25,841,750	89,326,750	207,634,213	296,960,963
2031	66,650,000	22,667,500	89,317,500	207,631,613	296,949,113
2032	69,980,000	19,335,000	89,315,000	207,628,613	296,943,613
2033	73,485,000	15,836,000	89,321,000	207,631,363	296,952,363
2034	77,150,000	12,161,750	89,311,750	207,636,950	296,948,700
2035	81,020,000	8,304,250	89,324,250	154,028,200	243,352,450
2036	85,065,000	4,253,250	89,318,250	102,107,950	191,426,200
2037				102,115,950	102,115,950
2038				102,111,450	102,111,450
2039				102,111,700	102,111,700
2040				102,119,825	102,119,825
2041				102,124,788	102,124,788
2042				102,122,125	102,122,125
2043				102,112,106	102,112,106
2044				52,589,500	52,589,500
2045				19,629,750	19,629,750
Total	$1,089,370,000	$648,387,281	$1,737,757,281	$6,554,466,270	$8,292,223,551

(1) The information set forth under the column captioned "Other Outstanding State Sales Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Sales Tax Revenue Bonds and on State Sales Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Sales Tax Revenue Bonds from time to time and to the extent that such other State Sales Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.

(2) Totals may not add due to rounding.

PART 9 — ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2016A Bonds:

Sources of Funds	
Principal Amount of Series 2016A Bonds	$1,089,370,000.00
Original Issue Premium	261,257,386.45
Total Sources	$1,350,627,386.45
Uses of Funds	
Deposit to Bond Proceeds Fund	$1,338,481,614.50
Costs of Issuance*	9,630,984.65
Underwriters' Discount	2,514,787.30
Total Uses	$1,350,627,386.45

*Includes New York State Bond Issuance Charge.

PART 10 — DASNY

Background, Purposes and Powers

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

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

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At June 30, 2016, DASNY had approximately $48 billion aggregate principal amount of bonds and notes outstanding. DASNY also is authorized to make tax-exempt leases, with its Tax-Exempt Leasing Program (TELP). As part of its operating activities, DASNY also administers a wide variety of grants authorized by the State for economic development, education and community improvement and payable to both public and private grantees from proceeds of State Personal Income Tax Revenue Bonds issued by DASNY.

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

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

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

DASNY has a staff of approximately 490 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 45 field sites across the State.

Governance

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

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

The current members of DASNY are as follows:

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

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

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

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

SANDRA M. SHAPARD, *Secretary*, Delmar.

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

JONATHAN H. GARDNER, Esq., Buffalo.

Jonathan H. Gardner was appointed as a Member of DASNY by the Governor on June 17, 2014. Mr. Gardner is a partner of the law firm Kavinoky Cook, LLP in Buffalo, New York. His practice areas include corporate and securities law, commercial transactions, private placements, venture capital financing and business combinations representing private and public companies. Mr. Gardner is also an adjunct professor at the University of Buffalo Law School. He holds a Bachelor of Arts degree from Brown University and a Juris Doctor degree from the University of Chicago Law School. Mr. Gardner's term expired on March 31, 2015 and by law he continues to serve until a successor shall be chosen and qualified.

BERYL L. SNYDER, J.D., New York.

Beryl L. Snyder was reappointed as a member of DASNY by the Governor on June 19, 2013. Ms. Snyder is a principal in HBJ Investments, LLC, an investment company where her duties include evaluation and analysis of a wide variety of investments in, among other areas: fixed income, equities, alternative investments and early stage companies. She holds a Bachelor of Arts degree in History from Vassar College and a Juris Doctor degree from Rutgers University. Her current term expired on August 31, 2016 and by law she continues to serve until a successor shall be chosen and qualified.

GERARD ROMSKI, Esq., Mount Kisco.

Gerard Romski was reappointed as a Member of DASNY by the Temporary President of the State Senate on May 9, 2016. He is Counsel and Project Executive for "Arverne by the Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, New York. Mr. Romski is also of counsel to the New York City law firm of Rich, Intelisano & Katz, LLP. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

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

MaryEllen Elia was appointed by the Board of Regents to serve as Commissioner of Education and President of the University of the State of New York effective July 6, 2015. As Commissioner of Education, Ms. Elia serves as Chief Executive Officer of the State Education Department and as President of the University of the State of New York which is comprised of public and non-public elementary and secondary schools, public and independent colleges and universities, libraries, museums, broadcasting facilities, historical repositories, proprietary schools and services for children and adults with disabilities. Prior to her appointment in New York, Ms. Elia served as Superintendent of Schools in Hillsborough County, Florida for 10 years. She began her career in education in 1970 as a social studies teacher in Buffalo's Sweet Home Central School District and taught for 19 years before becoming an administrator. She holds a Bachelor of Arts degree in History from Daemen College in Buffalo, a Master of Education from the University at Buffalo and a Master of Professional Studies from SUNY Buffalo.

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

Howard A. Zucker, M.D., J.D., was appointed Commissioner of Health on May 5, 2015 after serving as Acting Commissioner of Health since May 5, 2014. Prior to that he served as First Deputy Commissioner leading the state Department of Health's preparedness and response initiatives in natural disasters and emergencies. Before joining the state Department of Health, Dr. Zucker was professor of Clinical Anesthesiology at Albert Einstein College of Medicine of Yeshiva University and a pediatric cardiac anesthesiologist at Montefiore Medical Center. He was also an adjunct professor at Georgetown University Law School where he taught biosecurity law. Dr. Zucker earned his medical degree from George Washington University School of Medicine. He also holds a Juris Doctor degree from Fordham University School of Law and a Master of Laws degree from Columbia Law School.

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

Robert F. Mujica Jr. was appointed Director of the Budget by the Governor and began serving on January 14, 2016. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, he advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his Bachelor of Arts degree in Sociology from Brooklyn College at the City University of New York. He received his Master's degree in Government Administration from the University of Pennsylvania and holds a Juris Doctor degree from Albany Law School.

The principal staff of DASNY is as follows:

GERRARD P. BUSHELL is the President and chief executive officer of DASNY. Mr. Bushell is responsible for the overall management of DASNY's administration and operations. Prior to joining DASNY, Mr. Bushell was Director, Senior Institutional Advisor of BNY Mellon's alternative and traditional investment management businesses. Prior thereto, he held a number of senior advisory roles, including Director, Client Partner Group at Kohlberg Kravis Roberts & Co. (KKR), Managing Director, Institutional Sales at Arden Asset Management LLC and Head of Institutional Sales at ClearBridge: a Legg Mason Company (formerly Citi Asset Management). Mr. Bushell previously served as Director of Intergovernmental Affairs for New York State Comptroller H. Carl McCall. Mr. Bushell holds a Bachelor of Arts Degree, Master of Arts Degree and Ph.D. in Political Science from Columbia University.

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

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

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

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

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

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

CAPRICE G. SPANN is the Managing Director of Specialized Services and Client Solutions. Ms. Spann is responsible for overseeing information services, environmental services, real property management and the integration of sustainability programs with respect to DASNY's projects and in its business processes. She holds a Bachelor of Arts degree from the University of Wisconsin and a Master of Business Administration from Fordham University.

Claims and Litigation

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

Other Matters

New York State Public Authorities Control Board

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

Legislation

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

Environmental Quality Review

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

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of DASNY for the fiscal year ended March 31, 2016. Copies of the most recent audited financial statements are available upon request at the offices of DASNY.

PART 11 — AGREEMENT OF THE STATE

The Authority Act provides that the State pledges and agrees with the holders of DASNY's notes and bonds that the State will not limit or alter the rights vested in DASNY to, among other things, fulfill the terms of any agreements made with the holders of DASNY's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Sales Tax imposed pursuant to Sections 1105 and 1110 of the State Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 12 — TAX MATTERS

General

In the opinions of Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2016A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2016A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, the New York State Department of Transportation ("DOT"), the New York State Education Department ("SED"), the New York State Office of Court Administration ("OCA") and others, and Co-Bond Counsel have assumed compliance by, as applicable, DASNY, DOT, SED and OCA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code.

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

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

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2016A Bonds in order that interest on the Series 2016A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2016A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2016A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. DASNY, DOT, SED and OCA, as applicable, have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2016A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2016A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2016A Bonds.

Prospective owners of the Series 2016A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2016A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2016A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2016A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2016A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2016A Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2016A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2016A Bonds. For example, budgets proposed by the Obama Administration from time to time have recommended a 28% limitation on certain itemized deductions and other tax benefits, including tax exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

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

The proposed forms of the opinions of Co-Bond Counsel relating to the Series 2016A Bonds are set forth in Appendix D hereto.

PART 13 — LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of DASNY, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2016A Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2016A Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2016A Bonds, the General Resolution or the Financing Agreement.

PART 14 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2016A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York and Bryant Rabbino LLP, New York, New York, Co-Bond Counsel to DASNY, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2016A Bonds. The proposed forms of such opinions are included in this Official Statement as Appendix D.

PART 15 — SALE BY COMPETITIVE BIDDING

The Series 2016A Bonds were awarded pursuant to three separate competitive bidding processes on September 22, 2016. The Series 2016A Group A Bonds, comprised of Series 2016A Bonds maturing in the years 2019 through 2026, inclusive, were sold to J.P. Morgan Securities LLC. The Series 2016A Group B Bonds, comprised of Series 2016A Bonds maturing in the years 2027 through 2031, inclusive, and the Series 2016A Group C Bonds, comprised of Series 2016A Bonds maturing in the years 2032 through 2036, inclusive, were sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Series 2016A Bonds will be purchased by the respective purchasers at an aggregate price of $1,348,112,599.15, which reflects original issue premium of $261,257,386.45 and an underwriters' discount of $2,514,787.30.

The respective purchasers have supplied the information as to the initial public offering prices of the Series 2016A Bonds as set forth on the inside cover of this Official Statement. The Series 2016A Bonds may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the purchasers.

PART 16 — LEGALITY OF INVESTMENT

Under New York State law, the Series 2016A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2016A Bonds.

PART 17— RATINGS

The Series 2016A Bonds are rated "AA+" by Fitch and "AAA" by Standard & Poor's. An explanation of the significance of such ratings should be obtained from the respective rating agency furnishing the same. There is no assurance that such ratings and/or outlooks will prevail for any given period of time or that they will not be changed or withdrawn by such rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings and/or outlooks may have an adverse effect on the market price of the Series 2016A Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

PART 18 — CONTINUING DISCLOSURE

In order to assist the initial purchasers of the Series 2016A Bonds in complying with Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, DASNY, the State and the Trustee have entered into a Master Continuing Disclosure Agreement (the "Master Disclosure Agreement") for the benefit of the holders of all State Sales Tax Revenue Bonds, including the holders of the Series 2016A Bonds, to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Sales Tax Revenue Bond Tax Fund Receipts (collectively, the "Annual Information") in accordance with the requirements of Rule 15c2-12 and as described in the Master Disclosure Agreement. It is expected that on or before the issuance of State Sales Tax Revenue Bonds, if any, by each of the other Authorized Issuers, such Authorized Issuer and the applicable trustee will join as parties to the Master Disclosure Agreement by executing the same. See "APPENDIX E — FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT."

The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), within 120 days after the close of the State Fiscal Year, and the State will undertake to electronically file with the MSRB, the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United

States, provided, however, that if audited financial statements are not then available, unaudited financial statements shall be filed no later than 120 days after the end of the State's fiscal year and such audited statements shall be electronically filed with the MSRB, if and when such statements are available. In addition, the Authorized Issuers have undertaken or are expected to undertake, for the benefit of all holders of the State Sales Tax Revenue Bonds, including holders of Series 2016A Bonds, to electronically file with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the fourteen events described in the Master Disclosure Agreement, notice of any such events.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Sales Tax Revenue Bonds, including the holders of the Series 2016A Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Sales Tax Revenue Bonds, including the holders of the Series 2016A Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Sales Tax Revenue Bonds, including the holders of Series 2016A Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

The State has not in the previous five years failed to comply, in any material respect, with any previous undertakings pursuant to Rule 15c2-12 in relation to State Sales Tax Revenue Bonds. Pursuant to the terms of the Master Disclosure Agreement, DASNY, as conduit issuer of State Sales Tax Revenue Bonds, has agreed in such contract to provide notices of certain events as described in such Agreement and has complied with such contractual undertaking in all material respects. The Master Disclosure Agreement is intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

PART 19 — MISCELLANEOUS

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

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

The Director of the Budget is to certify that the statements and information appearing (a) under the headings (i) "PART 1 — SUMMARY STATEMENT" (except under the subcaption "Purpose of Issue" and except for the fourth, eighth (last sentence only) and ninth paragraphs under the subcaption "Sources of Payment and Security for State Sales Tax Revenue Bonds — Sales Tax Revenue Bond Tax Fund Receipts," as to which no representation is made), (ii) "PART 2 — INTRODUCTION" (the second, third, fourth, sixth, seventh, eighth and eleventh (other than the last sentence thereof) paragraphs only), (iii) "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS," (iv) "PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND," (v) "PART 8 — DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding State Sales Tax Revenue Bonds Debt Service" and (vi) "PART 18 — CONTINUING DISCLOSURE" (the first sentence of the fourth paragraph only), and (b) in the "Annual Information Statement of the State of New York," including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his or her attention that would lead him or her to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he or she believes to be reliable and he or she has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption "Litigation", such statements and information as to legal matters are given to the best of his or her information and belief, having made such inquiries as he or she deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2016A Bonds.

Public Resources Advisory Group has acted as financial advisor to the Division of the Budget in connection with the sale and issuance of the Series 2016A Bonds.

The references herein to Authority Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of DASNY with the registered Owners of the Series 2016A Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2016A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2016A Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of DASNY located at 515 Broadway, Albany, New York 12207.

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

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: /s/ Gerrard P. Bushell
Authorized Officer

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 29, 2016. It was updated on August 29, 2016. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.ny.gov.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2016 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 29, 2016 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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Update to
Annual Information Statement
State of New York

August 29, 2016

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Introduction

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Introduction

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

In this AIS Update, readers will find:

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

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

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

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

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

In addition to regularly scheduled quarterly updates to the AIS, the State may issue AIS supplements or other disclosure notices to the AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of the AIS, as updated or supplemented, in Official Statements or related disclosure documents for State or State-supported debt issuances. The

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

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

Usage Notice

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

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

Neither this AIS 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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Significant Budgetary/Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

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

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

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

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

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

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

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on a number of assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Updated Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, taking into account the current and projected fiscal position of the State. The Updated Financial Plan projections for FY 2018 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending to no greater than 2 percent. Total disbursements in the Updated Financial Plan tables and narrative, contained in this AIS Update, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." Updated Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Overview of the Updated Financial Plan

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Overview of the Updated Financial Plan

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

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

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

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

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

Overview of the Updated Financial Plan

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

Summary

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

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

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

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

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

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

First Quarter Operating Results

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

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

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

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

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

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

[1] Includes savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Receipts Revisions

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

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

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

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

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

Disbursements Revisions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Change in Reserves

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

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

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

Spending Changes

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

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

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

Annual Spending Growth

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

TOTAL DISBURSEMENTS (millions of dollars)

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

Overview of the Updated Financial Plan

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

STATE SPENDING MEASURES
(millions of dollars)

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

[1] Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The Essential Plan is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources.

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

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

FY 2017 Financial Plan

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

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

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

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

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

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

Receipts (Excluding Monetary Settlements)

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

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

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

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

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

General Fund non-tax receipts and transfers are estimated at $4 billion in FY 2017, an increase of $226 million from FY 2016 results. The increase is primarily due to transfers from a variety of accounts that have accumulated resources in prior years.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2017 Through 2020" herein.

Disbursements (Excluding Monetary Settlements)

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

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

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

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

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

Closing Balance for FY 2017

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

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

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

TOTAL BALANCES
(millions of dollars)

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

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

Cash Flow

The State authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or to the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to borrow funds from STIP for a period of five days. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds and a relatively small amount of other money belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

DOB expects that the State will have sufficient liquidity in FY 2017 to make all planned payments as they become due. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES
FY 2017
(millions of dollars)

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

Monetary Settlements

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

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

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

Uses of Monetary Settlements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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April – June 2016
Operating Results

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April – June 2016 Operating Results

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

General Fund Results

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

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

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

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

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

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

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

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

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

State Operating Funds Results

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

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

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

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

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

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

All Governmental Funds Results

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

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

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

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

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

All Governmental Funds Annual Change

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

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

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

April – June 2016 Operating Results

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

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

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

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

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

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

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

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

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

Other Matters Affecting the Financial Plan

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Other Matters Affecting the State Financial Plan

General

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

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

The Updated Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the outcome of litigation and other claims affecting the State.

Among other factors, the Updated Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Updated Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, the budgets enacted for FYs 2014 through 2017 authorized spending for School Aid to increase above personal income growth that would otherwise be used to calculate the school year increases. The FY 2017 Enacted Budget Financial Plan includes a 6.5 percent School Aid increase, compared to personal income indexed rate of 3.9 percent.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. Over the past five years, DOH State Funds Medicaid spending levels have been maintained at or below indexed levels. However, Medicaid program spending is sensitive to a number of factors including fluctuations in economic conditions, which may increase caseload. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. However, these actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and therefore General Fund spending remains sensitive to revenue performance in the State's HCRA fund (which finances approximately one-quarter of the DOH State-share costs of Medicaid).

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

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

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to, and recovery from, severe weather events and other disasters. Despite modest legislative adjustments to the budgetary caps contained in the Budget Control Act of 2011, the possibility for a reduction in Federal support is elevated so long as the caps remain in place. Any reduction in Federal funding levels could have a materially adverse impact on the Updated Financial Plan. In addition, the Updated Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

Medicaid Redesign Team (MRT) Medicaid Waiver

The Federal Centers for Medicare & Medicaid Services (CMS) and the State have reached an agreement authorizing up to $8 billion in new Federal funding, over several years, to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding, provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver, is divided among the Interim Access Assurance Fund (IAAF), the Delivery System Reform Incentive Payment (DSRIP) Program, Health Homes, and various other Medicaid redesign initiatives.

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

Federal Debt Ceiling

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. Including the temporary suspension of the debt limit that ended that standoff in 2013, Congress has passed three suspensions of the debt limit since then, the most recent extending through March of 2017.

A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and State economies, financial markets, and intergovernmental aid payments. The specific effects on the Updated Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

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

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

Current Labor Negotiations (Current Contract Period)

The State and NYSPIA recently achieved a multi-year collective bargaining agreement patterned after the State's 2015 legislative session deals with the State Police Troopers and Commissioned- and Non-Commissioned Officers. The recently enacted NYSPIA pay bill will provide the same schedule of general salary increases provided to NYSPBA members; specifically, a two percent general salary increase for each of FY 2015 and FY 2016, in their entirety, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018, respectively. NYSPIA and NYSPBA are the only two unions with collectively negotiated agreements in place beyond FY 2016. The State is in active negotiations with all other employee unions.

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

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

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

Pension Amortization[5]

Background

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

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

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

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

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

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

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

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

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

Outyear Projections

All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS (ERS and PFRS) updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, the System announced that employer contribution rates would decrease for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed — for ERS the scale was reduced from 4.8 percent to 3.8 percent and for PFRS the scale was reduced from 5.4 percent to 4.5 percent. Factoring in these and other assumptions, the average contribution rate for ERS will decrease from 18.2 percent of payroll to 15.5 percent, or about 15 percent, while the average contribution rate for PFRS will decrease from 24.7 percent of payroll to 24.3 percent, or approximately 2 percent.

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

The pension estimate also reflects changes to military service credit provisions enacted during the 2016 legislative session (chapter 41 of the laws of 2016), allowing all veterans who are members of a New York State or local retirement system to receive extra pension credit for up to three years of military service if they were honorably discharged, have achieved five years of service in a public retirement system, and agree to pay the employee share of such additional pension credit. Costs to the State for its employees will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year. Additionally, under Section 25 of Retirement and Social Security Law (RSSL), the State is required to pay the ERS employer contributions associated with this credit on behalf of local governments who participate in that section of law. The State is also permitted to amortize the first year of past service costs associated with this credit; however, the State has not yet chosen this option as the application experience will not be documented until December 31, 2016, and there would be an interest rate of 7 percent applied to this amortization. DOB currently estimates the cost to the State (including the costs covered for local ERS) to be $144 million in FY 2017; $103 million in FYs 2018 and 2019; and $62 million in FY 2020.

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

STATE PENSION COSTS AND AMORTIZATION SAVINGS
(millions of dollars)

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

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

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

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

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

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

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

Net Pension Liability

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

Other Post-Employment Benefits (OPEB)

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State and are enrolled in the New York State Health Insurance Program (NYSHIP), or are enrolled in the NYSHIP opt-out program at the time they reach retirement and have at least ten years of eligible service for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2016, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2016, the unfunded actuarial accrued liability for FY 2016 is $77.9 billion ($63.426 billion for the State and $14.427 billion for SUNY), an increase of $494 million from FY 2015 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2016 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State, and for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Driving a significant portion of the annual growth in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries, reflecting an improvement in life expectancy in future years, and resulting in increases to accrued liabilities and the present value of projected benefits.

Also driving a portion of the annual growth are the expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2016 totaled $4.2 billion ($3.246 billion for the State and $926 million for SUNY), an increase of $1.166 billion from FY 2015 ($959 million for the State and $207 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.567 billion ($1.905 billion for the State and $662 million for SUNY) greater than the cash payments for retiree costs made by the State in FY 2015. This difference between the State's PAYGO costs, and the actuarially-determined ARC under GASB Statement 45, reduced the State's net asset condition at the end of FY 2016 by $2.6 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the Updated Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis.

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

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

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

Litigation

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

Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms present economic and financial risks to the State. Reimbursement claims for costs of the immediate response are being processed, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. It is anticipated that New York State, MTA, and New York State localities may receive approximately one-half of this amount for response, recovery, and mitigation costs. To date, a total of $17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across New York State. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities over the coming years.

Climate Change Adaptation

Climate change poses long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State’s infrastructure (including mass transit systems, power transmission and distribution systems, and other critical lifelines) to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, municipalities, and public utilities are expected to be needed for adapting existing infrastructure to climate change risks.

Financial Condition of New York State Localities

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

Bond Market

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

Debt Reform Act Limit

The Debt Reform Act of 2000 (“Debt Reform Act”) restricts the issuance of State-supported debt to capital purposes only, and for maximum terms of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. The State was in compliance with the statutory caps in the most recent calculation period (FY 2015).

DOB projects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $4.9

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2016	1,143,076	4.00%	45,723	40,814	4,909	3.57%	0.43%	9,415	50,229
FY 2017	1,193,755	4.00%	47,750	42,879	4,871	3.59%	0.41%	8,111	50,990
FY 2018	1,253,602	4.00%	50,144	48,067	2,077	3.83%	0.17%	6,813	54,880
FY 2019	1,315,073	4.00%	52,603	51,743	859	3.93%	0.07%	5,771	57,515
FY 2020	1,377,503	4.00%	55,100	54,795	305	3.98%	0.02%	4,895	59,690
FY 2021	1,441,044	4.00%	57,642	57,221	421	3.97%	0.03%	3,421	60,642

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2016	153,265	5.00%	7,663	4,087	3,576	2.67%	2.33%	1,492	5,579
FY 2017	152,357	5.00%	7,618	4,355	3,263	2.86%	2.14%	698	5,053
FY 2018	158,594	5.00%	7,930	4,757	3,173	3.00%	2.00%	1,485	6,242
FY 2019	159,556	5.00%	7,978	5,357	2,621	3.36%	1.64%	1,400	6,757
FY 2020	163,563	5.00%	8,178	5,832	2,347	3.57%	1.43%	1,386	7,218
FY 2021	170,216	5.00%	8,511	6,217	2,294	3.65%	1.35%	1,228	7,444

billion in FY 2016 to $305 million in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

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

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

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

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, which include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2016, there were approximately $257 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining financially distressed hospitals, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014 when $12 million was paid, and again in FY 2015 and FY 2016 when $24 million and $19 million were paid, respectively. DASNY also estimates the State will pay debt service costs of approximately $25 million in FY 2017, and approximately $14 million annually in FY 2018 through FY 2021. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for the hospital that currently is not meeting the terms of its loan agreement with DASNY as mentioned above, a second financially distressed hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $24 million annually, if all financially distressed hospitals failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of LICH to a New York State not-for-profit corporation (“Holdings”), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY University Hospital at Brooklyn ("Downstate Hospital"). In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately $120 million in outstanding debt originally incurred by LICH and assumed by Holdings.

Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a request for proposals (RFP) seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

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

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing) is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. The external demolition of the buildings had been the subject of a court ordered restraint that was removed as of October 29, 2015. In its efforts to complete the demolitions and environmental remediation, the Purchaser has continued to deal with challenges raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

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

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

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

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

State Financial Plan Projections Fiscal Years 2017 Through 2020

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State Financial Plan Projections – FYs 2017 through 2020

Introduction

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

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Roughly 40 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, transportation, and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish, the further removed such estimates and projections are from the date of this Updated Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2017 budget, FY 2018, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2017 Through 2020

Summary

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

The projections for FY 2018 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the current Administration continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled on a distinct line in the Updated Financial Plan tables as "Adherence to 2 percent Spending Benchmark." The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, FY 2019, and FY 2020, the projected budget gaps would be higher.

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

General Fund Projections

GENERAL FUND PROJECTIONS
(millions of dollars)

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

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, Budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

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

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

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

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

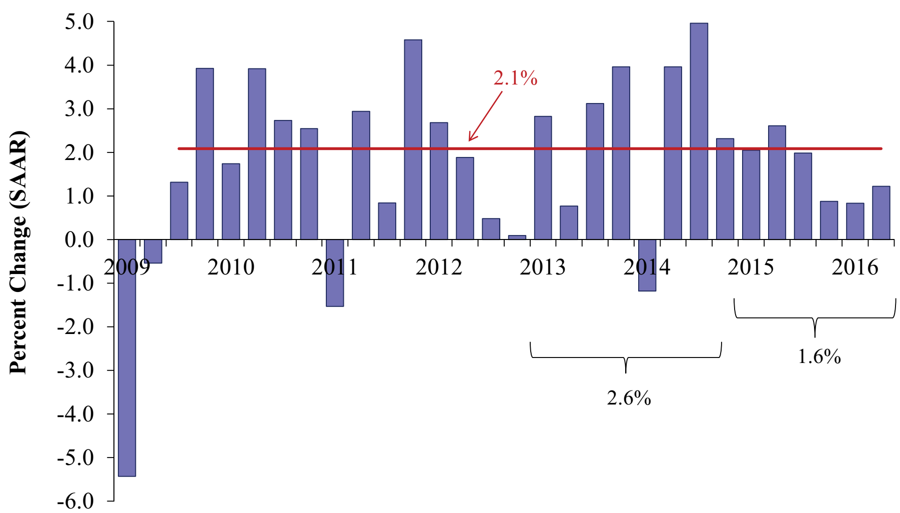
[2] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, projected budget gaps would be higher.

Economic Backdrop

The U.S. Economy

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

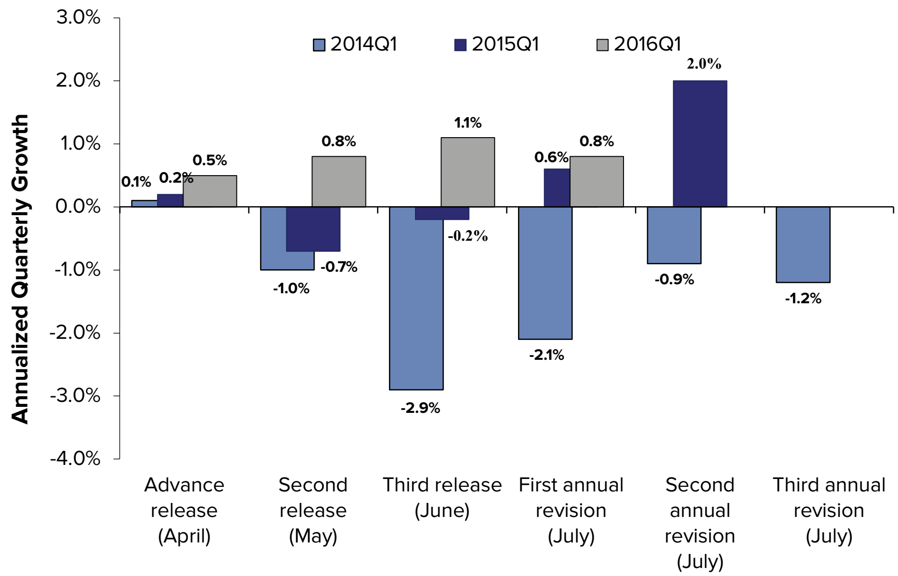
Figure 1: Real US GDP Growth Remains Stuck in Low Gear



Source: Moody's Analytics.

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

Figure 2: The Evolution of BEA's Q1 Estimates



Source: U.S. Bureau of Economic Analysis.

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

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

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

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

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2015 (Actual)	2016 (Forecast)	2017 (Forecast)
Real U.S. Gross Domestic Product	2.6	1.6	2.3
Consumer Price Index (CPI)	0.1	1.3	2.3
Personal Income	4.5	4.2	4.5
Nonagricultural Employment	2.1	1.7	1.4
Source: Moody's Analytics; DOB staff estimates.			

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

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

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

The New York State Economy

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

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

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

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

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

The performance of the State's private-sector labor market remains robust, but there are significant risks to the forecast. All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. If equity market growth proves to be weaker than anticipated, bonus payouts for the 2016-17 bonus season could be much lower than anticipated. Moreover, under the still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. As a result, the uncertainty surrounding bonus projections remains substantial. Recent events also demonstrate how sensitive financial markets can be to shifting expectations surrounding energy prices, Federal Reserve policy, and global growth. The lead up to the central bank's December 2015 increase in its short-term interest rate target, the first in almost ten years, started a wave of volatility that resulted in a drop in equity market prices of more than 10 percent in the early part of 2016. Such financial market gyrations are likely to have a larger impact on the State economy than on the nation as a whole. Should financial and real estate markets be either weaker or stronger than we expect, both bonuses and taxable capital gains realizations could be correspondingly affected.

Receipts

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

Overall base growth in tax receipts is dependent on many factors. In general, base tax receipts growth rates are determined by economic changes including, but not limited to, changes in interest rates, prices, wages, employment, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

The projections of Federal receipts generally correspond to the anticipated spending levels of a variety of programs including Medicaid, public assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds).

Overview of the Receipts Forecast

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

ALL FUNDS RECEIPTS
(millions of dollars)

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

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

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

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

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

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

[1]Excludes Transfers.

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

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

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

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

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

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

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

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

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

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

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

Consumption/Use Taxes

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

[1] Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.1 billion, an increase of $400 million (2.5 percent) from FY 2016 results. Sales tax receipts are estimated to increase $507 million (3.8 percent) from the prior year, resulting from 3.8 percent base (i.e., absent law changes) growth. This base growth stems from estimated moderate disposable income, employment, and consumption growth. The estimate has been reduced to account for agreements between certain mobile telecommunications providers and the State to allow such providers to remit less sales tax for a period in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. The estimate has also been reduced by $5 million to reflect legislation enacted post-Budget that exempts feminine hygiene products from the sales and use tax. Cigarette and tobacco tax collections are estimated to decline $25 million (2 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are expected to decrease by $74 million (46.8 percent) due to refunds resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision as well as a reduction in continuing registration fees resulting from the same litigation. Motor fuel tax collections are expected to decrease $9 million (1.8 percent), reflecting an expected increase in refunds combined with a slight decline in taxable motor fuel consumption, partially offset by slight growth in diesel consumption. Taxicab surcharge receipts are estimated to decline by $8 million (11 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

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

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

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

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

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

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

Business Taxes

BUSINESS TAXES
(millions of dollars)

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

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

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

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

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

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

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

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

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

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

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

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

Other Taxes

OTHER TAXES
(millions of dollars)

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

[1] Excludes Transfers.

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

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

All Funds other tax receipts for FY 2018 are projected to be just under $2.2 billion, an $8 million (0.4 percent) decrease. Estate tax receipts are projected to decrease by $74 million (7.2 percent) reflecting the continued phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $66 million (5.8 percent), reflecting projected growth in housing starts and prices.

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

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

Miscellaneous Receipts and Federal Grants

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, tribal-state compact revenue, monetary settlements and a variety of fees and licenses.

MISCELLANEOUS RECEIPTS
(millions of dollars)

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

All Funds miscellaneous receipts are projected to total $24.1 billion in FY 2017, a decrease of 11.6 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS Update. In addition to the impact of monetary settlements, declining FY 2017 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to increase in FY 2018, largely reflecting the expected timing of bond proceed reimbursement for capital expenditures, and remain relatively flat in FY 2019 and FY 2020.

FEDERAL GRANTS (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**51,324**	**51,764**	**0.9%**	**52,773**	**1.9%**	**53,531**	**1.4%**	**54,888**	**2.5%**
General Fund	0	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Special Revenue Funds	49,105	49,528	0.9%	50,606	2.2%	51,366	1.5%	52,667	2.5%
Capital Projects Funds	2,146	2,162	0.7%	2,093	-3.2%	2,091	-0.1%	2,147	2.7%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are expected to grow to $54.9 billion by FY 2020, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

Disbursements

Total disbursements in FY 2017 are estimated at $71.1 billion in the State's General Fund (including transfers) and $96.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

The multi-year disbursements projections take into account various factors, including statutorily-indexed rates, agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections also account for the timing of payments, since not all of the amounts appropriated pursuant to an enacted budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in State Special Revenue Funds have been adjusted downward in all fiscal years, based on typical spending patterns and the observed variance between estimated and actual results over time. A corresponding downward adjustment is also made to miscellaneous receipts.

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $64.8 billion in FY 2017, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES
(millions of dollars)

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

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to increase by $1.51 billion (6.5 percent) in SY 2017. This increase includes $627 million for additional Foundation Aid and $434 million for full restoration of the Gap Elimination Adjustment (GEA) for all 674 school districts. In total, $175 million is provided to facilitate the transformation of schools in high-need districts into community hubs offering expanded services to children and their families, including $100 million as a set-aside within Foundation Aid and $75 million in new Community Schools Grants. The latter will be awarded to school districts with failing and persistently failing schools, based on a plan developed by SED, to support the operating and capital costs associated with the conversion of such schools into community schools. In addition, another $344 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Updated Financial Plan also includes $28 million for new competitive grants, including $22 million to expand prekindergarten access for three-year-old children. In addition, the Updated Financial Plan reflects the continuation of $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

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

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

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

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

State Fiscal Year

The State finances School Aid from General Fund and Lottery Fund receipts, including video lottery terminals (VLTs), which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which the related budget is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

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

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

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

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

It is expected that State aid payments for School Aid will be supplemented by commercial gaming revenues, beginning in FY 2017 with the State's receipt of one-time licensing fees, and continuing in FY 2018 and the outyears with gaming revenues shared with the State by commercial gaming facilities. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Location Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Location Board in October 2015. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources becomes a General Fund obligation. It is expected that the four casinos will be operational in FY 2018.

Other Education Funding

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

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

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

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

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

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. It is expected that lower-income senior citizens will receive a $65,300 exemption in FY 2017. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate share of total spending in FY 2017 are: the basic school property tax exemption for homeowners with income under $500,000 (54 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $84,550 (29 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (17 percent).

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

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

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

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

Higher Education

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

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

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

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

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

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including those located in New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but a number of programs are also supported through multi-agency efforts.

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, specifically a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Enacted Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of more than $7 billion through FY 2020, with the remaining funds expected to be disbursed beyond FY 2020. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

In FY 2012, legislation was enacted to limit the year-to-year growth in DOH State funds Medicaid spending to the ten-year rolling average of the medical component of the CPI. The statutory provisions of the Medicaid spending cap (or “Global Cap”) also allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster. Certain authorizations exist which allow the Governor to take actions to reduce Medicaid spending in order to maintain spending within the Global Cap limit.

The Updated Financial Plan reflects the continuation of the Medicaid spending cap through FY 2018, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.4 percent for FY 2017. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2018, 3.0 percent in FY 2019, and 2.8 percent in FY 2020.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Global Medicaid Cap[1]	**17,104**	**17,692**	**18,259**	**18,812**	**19,338**
Annual % Change		3.4%	3.2%	3.0%	2.8%

[1] Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI.

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

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

[1] DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; and increased Federal Financial Participation that became effective in January 2014.

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

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

DEPARTMENT OF HEALTH MEDICAID[1,2]
(millions of dollars)

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

[1] The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.
[2] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.
[3] The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
[4] Includes operating costs of the New York State of Health Exchange which are funded by DOH within the Medicaid Global Cap.

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

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

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

The Updated Financial Plan also reflects $33 million in reduced FY 2017 State Funds costs associated with operating the QHP portion of the NYSOH health benefit exchange, largely due to the expiration of offsetting Federal support for the exchange which has been extended from December 2015 to December 2016. Additional means to offset rising costs within the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide savings. The Updated Financial Plan savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap.

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

Essential Plan (EP)

The EP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State to participate in the EP, which includes health insurance coverage for certain legally residing immigrants previously receiving State-only Medicaid coverage. Individuals who meet the EP eligibility standards are enrolled through the NYSOH health benefit exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 85 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN
(millions of dollars)

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

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

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,774**	**1,641**	**-7.5%**	**1,683**	**2.6%**	**1,716**	**2.0%**	**1,870**	**9.0%**
Public Health	**1,647**	**1,511**	**-8.3%**	**1,550**	**2.6%**	**1,578**	**1.8%**	**1,727**	**9.4%**
Child Health Plus	378	222	-41.3%	235	5.9%	250	6.4%	380	52.0%
General Public Health Work	194	203	4.6%	204	0.5%	206	1.0%	210	1.9%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	159	-0.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	426	378	-11.3%	393	4.0%	397	1.0%	402	1.3%
All Other	363	417	14.8%	426	2.2%	438	2.9%	448	2.2%
Aging	**127**	**130**	**2.4%**	**133**	**2.3%**	**138**	**3.8%**	**143**	**3.6%**

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

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

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

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. The HCRA authorization was extended through FY 2017, pursuant to legislation included in the FY 2015 Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a "covered lives" assessment paid by insurance carriers, and a portion of cigarette tax revenues. In total, HCRA resources are used to fund roughly 25 percent of the State share of Medicaid, as well as CHP, the NYSOH, EPIC, Physician Excess Medical Malpractice Insurance, and Indigent Care payments (the latter of which provides funding to hospitals serving a disproportionate share of individuals without health insurance).

HCRA closed FY 2016 with a balance of $78 million, which is the result of an advanced deposit of April 2016 revenue into March 2016. This impact is a matter of timing, and will not impact total forecasted HCRA collections through FY 2017.

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

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

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

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

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

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

Mental Hygiene

The Department of Mental Hygiene is comprised of the OPWDD, Office of Mental Health (OMH), Office of Alcoholism and Substance Abuse Services (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs. Services are administered to adults with serious mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; persons with chemical dependencies; and individuals with compulsive gambling problems.

These agencies provide services directly to their clients through State-operated facilities, and indirectly through community service providers. The costs associated with providing these services are supported by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which were issued to finance infrastructure improvements at State mental hygiene facilities, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE
(millions of dollars)

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

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

The FY 2017 Enacted Budget increases local assistance funding for mental hygiene agencies from $3.5 billion in FY 2016 to $3.7 billion in FY 2017. The spending increase is largely related to new community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system; new residential beds opening in OMH; funding in OASAS for the package of heroin initiatives; and funding to support a 0.2 percent Human Services COLA for not-for-profit providers that deliver services on behalf of OPWDD, OMH and OASAS.

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

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

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

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,213**	**1,262**	**4.0%**	**1,312**	**4.0%**	**1,330**	**1.4%**	**1,340**	**0.8%**
SSI	641	655	2.2%	658	0.5%	661	0.5%	663	0.3%
Public Assistance Benefits	474	484	2.1%	526	8.7%	526	0.0%	526	0.0%
Public Assistance Initiatives	7	29	314.3%	27	-6.9%	36	33.3%	36	0.0%
All Other	91	94	3.3%	101	7.4%	107	5.9%	115	7.5%

OTDA spending for SSI is projected to increase between FY 2016 and FY 2017 and to continue to increase gradually over the course of the multi-year financial plan due to updated caseload projections. Public Assistance benefits spending is projected to increase from FY 2016 to FY 2017 based on an update to DOB's caseload models, with DOB projecting a total of 557,159 recipients in FY 2017. Approximately 238,388 families are expected to receive benefits through the Family Assistance program in FY 2017, a decrease of 2.2 percent from FY 2016. In the Safety Net program an average of 115,259 families are expected to be helped in FY 2017, a decrease of 2.1 percent from FY 2016. The caseload for single adults/childless couples supported through the Safety Net program is projected at 203,512 in FY 2017, an increase of 0.2 percent from FY 2016. Spending in Public Assistance and All Other Initiatives will increase from FY 2016 to FY 2017 due to the implementation of new programs including several to address homelessness, as well as the expansion of HASA benefits to all Public Assistance recipients living in New York City. Growth is expected to be more gradual in the outyears.

Office of Children and Family Services (OCFS)

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local social services departments and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services for reducing out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families.

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,736**	**1,672**	**-3.7%**	**1,701**	**1.7%**	**1,716**	**0.9%**	**1,738**	**1.3%**
Child Welfare Service	491	448	-8.8%	472	5.4%	482	2.1%	492	2.1%
Foster Care Block Grant	445	445	0.0%	455	2.2%	464	2.0%	472	1.7%
Adoption	152	154	1.3%	154	0.0%	154	0.0%	154	0.0%
Day Care	270	208	-23.0%	185	-11.1%	178	-3.8%	178	0.0%
Youth Programs	111	161	45.0%	154	-4.3%	153	-0.6%	153	0.0%
Medicaid	89	90	1.1%	92	2.2%	92	0.0%	94	2.2%
Committees on Special Education	45	39	-13.3%	41	5.1%	42	2.4%	44	4.8%
Adult Protective/Domestic Violence	35	32	-8.6%	33	3.1%	34	3.0%	34	0.0%
All Other	98	95	-3.1%	115	21.1%	117	1.7%	117	0.0%

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

Transportation

In FY 2017, the State will provide approximately $4.9 billion in operating aid to mass transit systems. The aid is funded mainly from dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up the lost revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,745**	**4,931**	**3.9%**	**5,016**	**1.7%**	**5,071**	**1.1%**	**5,161**	**1.8%**
Mass Transit Operating Aid:	2,160	2,280	5.6%	2,280	0.0%	2,280	0.0%	2,280	0.0%
Metro Mass Transit Aid	2,030	2,152	6.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	86	84	-2.3%	84	0.0%	84	0.0%	84	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,851	1,929	4.2%	2,028	5.1%	2,087	2.9%	2,176	4.3%
Dedicated Mass Transit	666	661	-0.8%	651	-1.5%	647	-0.6%	649	0.3%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	-100.0%

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

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

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM
(millions of dollars)

	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**728**	**715**	**-1.8%**	**763**	**6.7%**	**763**	**0.0%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	13	0	-100.0%	48	0.0%	48	0.0%	48	0.0%

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

Agency Operations

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

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

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

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

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

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

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

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

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

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

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

The most significant changes include:

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

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

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

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

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

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

Workforce

In FY 2017, $12.9 billion or 13.4 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 98,000 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2017 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

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

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

[2] CUNY employees are funded primarily through an agency trust fund that supports an additional 13,330 FTEs, which are excluded from this table.

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

General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.[6] The Judiciary pays its fringe benefit costs directly.

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

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

GSCs are projected to increase at an average annual rate of 4.3 percent over the Updated Financial Plan period, driven primarily by cost increases for workers' compensation and the employer share of costs for employee and retiree health insurance benefits.

In FY 2017, State Operating Funds spending for GSCs is projected to increase by $258 million (3.5 percent). Health insurance increases are due to rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, generic drug price inflation, increased outpatient utilization, and increased inpatient/outpatient utilization in Mental Health. Pension cost growth reflects the impact of higher graded rates, which increases the State's gross funding liability, and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

GENERAL STATE CHARGES
(millions of dollars)

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

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

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

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

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

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

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

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

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and highway use taxes. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $11.5 billion in FY 2017, a $151 million increase from FY 2016. This growth is primarily due to transfers and uses of settlement money.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities, such as ESD, DASNY, and the New York State Thruway Authority, subject to appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

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

Total State Operating/All Funds debt service is projected at $5.1 billion in FY 2017, of which approximately $706 million is paid from the General Fund via transfers, and $4.4 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

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

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GAAP-Basis Results for Prior Fiscal Years

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GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information, released in July each year, include a management discussion and analysis ("MD&A"); the Statements of Net Position and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Position, Revenues, Expenses and Changes in Fund Net Position and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position; the Combining Statements of Net Position and Activities for Discretely Presented Component Units; required Supplementary Information (unaudited) and Other Supplementary Information which includes individual fund combining statements. These statements are audited by independent certified public accountants. The State issued the Basic Financial Statements for FY 2016 on July 29, 2016. The Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which, in addition to the components referenced to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2016 is expected to be issued later in the current calendar year.

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

COMPARISON OF ACTUAL GAAP-BASIS OPERATING RESULTS SURPLUS/(DEFICIT) (millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052
March 31, 2014	172	806	369	(146)	1,201	(567)

SUMMARY OF NET POSITION (millions of dollars)

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

The Basic Financial Statements (including Other Supplementary Information) for the fiscal year ended March 31, 2016 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

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Authorities and Localities

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Authorities and Localities

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

Public Authorities

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

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

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

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

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

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

Source: Compiled by the Office of the State Comptroller from data submitted by the Public Authorities. Debt classifications by DOB.

(1) Includes only authorities with $100 million or more in outstanding debt which are reported as component units or joint ventures of the State in the Comprehensive Annual Financial Report (CAFR). Includes short-term and long-term debt. Reflects original par amounts for bonds and financing arrangements or original gross proceeds in the case of capital appreciation bonds. Amounts outstanding do not reflect accretion of capital appreciation bonds or premiums received.

(2) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2016. This includes $6.8 billion in conduit debt issued by JDA's blended component units consisting of $6.1 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ), $509 million issued by the Brooklyn Arena Local Development Corporation and $167 million issued by the New York Transportation Development Corporation. In addition, JDA has $6 million in State-guaranteed bonds outstanding.

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

(4) Includes $2.92 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

State Retirement System

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State Retirement System

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN PREPARED SOLELY BY OSC, AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

General

This section summarizes key information regarding the New York State and Local Retirement System ("NYSLRS" or the "System") and the Common Retirement Fund ("CRF"). The System was established as a means to pay benefits to the System's participants. The CRF comprises a pooled investment vehicle designed to protect and enhance the long-term value of the System's assets.

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

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System's Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2015 and benefit plan booklets describing how each of the System's tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

The State Comptroller is the administrative head of NYSLRS, which has the powers and privileges of a corporation and comprises the New York State and Local Employees' Retirement System ("ERS") and the New York State and Local Police and Fire Retirement System ("PFRS"). The State Comptroller promulgates rules and regulations for the administration and transaction of the business of the System. Pursuant to the State's Retirement and Social Security Law and Insurance Law, NYSLRS is subject to the supervision of the Superintendent of the New York State Department of Financial Services.

The State Comptroller is also the trustee and custodian of the CRF, a trust created pursuant to the Retirement and Social Security Law to hold the System's assets, and, as such, is responsible for investing the assets of the System. Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management of the Office of the State Comptroller ("Division"). Division employees, outside advisors, consultants and legal counsel provide the State Comptroller with advice and oversight of investment decisions. Outside advisors and internal investment staff are part of the chain of approval that must recommend all investment decisions before final action by the State Comptroller. The Investment Advisory Committee and the Real Estate Advisory Committee, both made up of outside advisors, assist the State Comptroller in his investment duties.

The Investment Advisory Committee advises the State Comptroller on investment policies relating to the CRF, reviews the portfolio of the CRF and makes such recommendations as the Committee deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

The System engages an independent auditor to conduct an audit of the System's annual financial statements. Furthermore, an Actuarial Advisory Committee meets annually to review the actuarial assumptions and the results of the actuarial valuation of the System. The Actuarial Advisory Committee is composed of current or retired senior actuaries from major insurance companies or pension plans. The System also engages the services of an outside actuarial consultant to perform a statutorily required quinquennial review. At least once every five years, NYSLRS is also examined by the New York State Department of Financial Services ("DFS"). The Comptroller has established within the Retirement System, the Pension Integrity Bureau, the purpose of which is to identify and prevent errors, fraud and abuse. The State Comptroller has also established an Office of Internal Audit to provide the Comptroller with independent and objective assurance and consulting services for the programs and operations of the Office of the State Comptroller, including programs and operations of NYSLRS. The Comptroller's Advisory Audit Committee, established in compliance with DFS regulations, meets three times per year to review the System's audited financial statements and the NYSLRS' CAFR, and to discuss a variety of financial and investment-related activities. Pursuant to DFS regulations, a fiduciary review of the System for the three year period ended March 31, 2015 was submitted on June 16, 2016.

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 32 percent of the membership during FY 2016. There were 3,040 other public employers participating in the System, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2016, 647,399 persons were members of the System and 440,943 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

Comparison of Benefits by Tier

The System's members are categorized into six tiers depending on date of membership. As of March 31, 2016, approximately 69 percent of ERS members were in Tiers 3 and 4 and approximately 78 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

Benefits paid to members vary depending on tier. Tiers vary with respect to vesting, employee contributions, retirement age, reductions for early retirement, and calculation and limitation of "final average salary" – generally the average of an employee's three consecutive highest years' salary (for Tier 6 members, final average salary is determined by taking the average of an employee's five consecutive highest years' salary). ERS members in Tiers 3 and 4 can begin receiving full retirement benefits at age 62, or at age 55 with at least 30 years of service. The amount of the benefit is based on years of service, age at retirement and the final average salary earned. The majority of PFRS members in Tier 2 are in special plans that permit them to retire after 20 or 25 years regardless of age. Charts comparing the key benefits provided to members of ERS and PFRS in most of the tiers of the System can be accessed at:

http://www.osc.state.ny.us/retire/employers/tier-6/index.php.

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 84 percent of the approximately 1,600 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

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

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.0 percent assumed return) over a 5-year period. The significant investment losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012,

[7] During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). On September 4, 2015, the Comptroller announced the NYSLRS employer contribution rates decreased for fiscal year 2017 and the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent.

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

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Final contribution rates for FY 2017 were released in September 2015. The average ERS rate decreased by 14.3 percent from 18.2 percent of salary in FY 2016 to 15.6 percent of salary in FY 2017, while the average PFRS rate decreased by 2.0 percent from 24.7 percent of salary in FY 2016 to 24.2 percent of salary in FY 2017. Information regarding average rates for FY 2017 may be found in the 2015 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

www.osc.state.ny.us/retire/publications.

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

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015 and FY 2016, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent and 3.21 percent respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2016, the amortized amount receivable, including accrued interest, for the 2011 amortization is $136.4 million from the State and $23.1 million from 40 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $354.9 million from the State and $131.1 million from 113 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $562.9 million from the State and $264.3 million from 131 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $777.9 million for the State and $177.7 million from 99 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $653.1 million from the State and $134.0 million from 86 participating employers; and the amortized amount receivable, including accrued interest for the 2016 amortization, is $357.1 million from the State and $67.1 million from 53 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. As of March 31, 2016, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $215.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $182.8 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $134.1 million.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The 2016 amounts are 12.5 percent for ERS and 20.5 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015 and 3.31 percent for FY 2016). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

The total State payment (including Judiciary) due to NYSLRS for FY 2016 was approximately $2.476 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2016 payment by $356.1 million.

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

The FY 2017 Enacted Budget authorized the State, as an amortizing employer, to prepay to NYSLRS the total amount of principal due for its annual amortization installment or installments for a given fiscal year prior to the expiration of a ten-year amortization period.

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2016 was $183.6 billion (including $6.2 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), a decrease of $5.8 billion or 3.0 percent from the FY 2015 level of $189.4 billion. The decrease in net position restricted for pension benefits from FY 2015 to FY 2016 reflects, in large part, equity market performance.[8] The System's audited Financial Statement reports an investment rate of return of 0.19 percent for FY 2016.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 51 percent equities (38 percent domestic and 13 percent international); 20 percent bonds, cash and mortgages; 2 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 8 percent real estate, 3 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[9]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $216.4 billion on April 1, 2014 to $225.7 billion (including $107.7 billion for current retirees and beneficiaries) on April 1, 2015. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2015. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2015 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2015, 40 percent of the unexpected gain for FY 2014, 60 percent of the unexpected gain for FY 2013, and 80 percent of the unexpected gain for FY 2012[10]. The asset valuation method smoothes gains

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

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

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

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

In June 2012, GASB approved two related Statements that change the accounting and financial reporting of pensions by state and local governments and pension plans. These statements impact neither the System's actuarial funding method nor the calculation of rates.

Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans, and replaced the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans and Statement No. 50, Pension Disclosures. Statement No. 67 mandates more extensive note disclosure and required supplementary information. The implementation of Statement No. 67 will have no impact on the System's Statement of Fiduciary Net Position, which measures the System's net position, restricted for pension benefits or Statement of Changes in Fiduciary Net Position. The System adopted Statement No. 67 in the March 31, 2015 Financial Statements.

Statement No. 68, Accounting and Financial Reporting for Pensions, replaced the requirements of Statement No. 27, Accounting for Pensions by State and Local Government Employers, and Statement No. 50, Pension Disclosures. Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. Statement No. 68 requires employers participating in the plans to report expanded information concerning pensions in their financial statements, as well as their proportionate share of the Net Pension Liability effective for fiscal years beginning after June 15, 2014. The Net Pension Liability is a measure of the amount by which the Total Pension Liability exceeds a pension system's Fiduciary Net Position.

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

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

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

https://www.osc.state.ny.us/retire/about us/financial statements index.php#cafr.

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2016 have been posted to the OSC website.

The tables that follow show net assets, benefits paid and the actuarially determined contributions that have been made over the last ten years. See also "State Retirement System — Contributions and Funding" above.

CONTRIBUTIONS AND BENEFITS
NEW YORK STATE AND LOCAL RETIREMENT SYSTEM[1]
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	Total Benefits Paid[3]
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,140	3,182	1,958	307	11,060

Sources: State and Local Retirement System.

[1] Contributions recorded include the full amount of unpaid amortized contributions.

[2] The actuarily determined contribution (ADC) include the employers' normal costs, the Group Life Insurance Plan amounts, and other supplemental amounts.

[3] Includes payments from Group Life Insurance Plan, which funds the first $50,000 of any death benefit paid.

NET POSITION RESTRICTED FOR PENSION BENEFITS OF THE NEW YORK STATE AND LOCAL RETIREMENT SYSTEM [(1)]
(millions of dollars)

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

Sources: State and Local Retirement System.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2016 includes approximately $6.2 billion of receivables.

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Litigation and Arbitration

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Litigation and Arbitration

Real Property Claims

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

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

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

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

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

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

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

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

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

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

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

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

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

Medicaid Nursing Home Rate Methodology

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

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserved bed day *Kateri* matters under the new caption of *Bayberry, et al*. With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners' reserved bed day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH. Document discovery closed on July 1, 2015; a court status conference was adjourned to March 2, 2016, pending ongoing settlement negotiations.

In March 2016, over 600 nursing home facilities, including all of the *Kateri* plaintiffs, entered a "universal settlement" with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The *Kateri* plaintiffs and the State agreed to exclude one issue, called "facility specific rebasing claims," and agreed to cap potential liability for that issue at no more than $15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference adjourned to September 21, 2016. Pending settlement discussions of the remaining "facility specific rebasing claims" issue, the parties anticipate agreeing to defer the briefing schedule by an additional four weeks, but the next court date remains September 21, 2016.

Insurance Department Assessments

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. By decision and order dated March 25, 2015, plaintiffs' motion for summary judgment was denied, defendant's motion for summary judgment was granted, and plaintiffs' third amended complaint was dismissed. On March 27, 2015, the State received plaintiffs' notice of appeal. The appeal is fully perfected and will be argued on September 16, 2016 before the Appellate Division, Third Department.

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

Canal System Financing

American Trucking Association v. New York State Thruway Authority, 13-CV-8123 (SDNY), is a purported class action by a trucking industry trade association and three trucking companies against the Thruway Authority, the Canal Corporation and individual officers and board members of both entities, claiming violations of the Commerce Clause and the Privileges and Immunities Clauses of the United States Constitution because of the Thruway Authority's use of revenues from Thruway Authority tolls to maintain and improve the State's canal system. The District Court granted defendant's motion to dismiss the complaint for failure to join the State as a necessary party. On August 4, 2015, the Second Circuit Court of Appeals reversed the judgment of the District Court dismissing the complaint and remanded the case to District Court for further proceedings.

Following the Second Circuit's remand, plaintiffs filed a motion for partial summary judgment on December 9, 2015. Defendants filed an opposition and cross-motion for summary judgment on February 15, 2016. Briefing on the motion and cross-motion were fully submitted as of April 1, 2016. In an August 10, 2016 decision, the District Court concluded that the claims were not barred by limitations or laches and that, to the extent that the tolls collected from interstate truckers were used to maintain the canal system, the incorporation of those expenses into the Thruway's toll rates, and their collection from the plaintiffs, violates the dormant commerce clause of the United States Constitution.

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

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Financial Plan Tables

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Financial Plan Tables

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

General Fund - Total Budget

Financial Plan, Annual Change from FY 2016 to FY 2017
Financial Plan Projections FY 2017 through FY 2020
Update to FY 2017
Update to FY 2018
Update to FY 2019
Update to FY 2020

General Fund - Receipts Detail (Excluding Transfers)

Financial Plan Projections FY 2017 through FY 2020

State Operating Funds Budget

FY 2017
FY 2018
FY 2019
FY 2020

All Governmental Funds - Total Budget

FY 2017
FY 2018
FY 2019
FY 2020

Cashflow - FY 2017 Monthly Projections

General Fund

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

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

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

Source: NYS DOB.

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

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018
(millions of dollars)

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2019
(millions of dollars)

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2017 THROUGH FY 2020
(millions of dollars)

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

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2017 (millions of dollars)	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	47,300	8,193	19,714	75,207
Miscellaneous Receipts	2,826	15,876	455	19,157
Federal Receipts	1	1	73	75
Total Receipts	50,127	24,070	20,242	94,439
Disbursements:				
Local Assistance Grants	45,769	19,005	0	64,774
Departmental Operations:				
Personal Service	6,012	6,884	0	12,896
Non-Personal Service	2,253	3,462	39	5,754
General State Charges	5,552	2,157	0	7,709
Debt Service	0	0	5,078	5,078
Capital Projects	0	3	0	3
Total Disbursements	59,586	31,511	5,117	96,214
Other Financing Sources (Uses):				
Transfers from Other Funds	18,541	7,870	3,262	29,673
Transfers to Other Funds	(11,527)	(855)	(18,297)	(30,679)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,014	7,015	(15,035)	(1,006)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,445)	(426)	90	(2,781)
Closing Fund Balance	6,489	3,121	250	9,860

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,934	3,607	(891)	160	11,810
Receipts:					
Taxes	47,300	8,193	1,295	19,714	76,502
Miscellaneous Receipts	2,826	16,092	4,719	455	24,092
Federal Receipts	1	49,528	2,162	73	51,764
Total Receipts	50,127	73,813	8,176	20,242	152,358
Disbursements:					
Local Assistance Grants	45,769	64,873	4,136	0	114,778
Departmental Operations:					
Personal Service	6,012	7,571	0	0	13,583
Non-Personal Service	2,253	4,692	0	39	6,984
General State Charges	5,552	2,492	0	0	8,044
Debt Service	0	0	0	5,078	5,078
Capital Projects	0	3	7,235	0	7,238
Total Disbursements	59,586	79,631	11,371	5,117	155,705
Other Financing Sources (Uses):					
Transfers from Other Funds	18,541	7,870	4,107	3,262	33,780
Transfers to Other Funds	(11,527)	(2,574)	(1,457)	(18,297)	(33,855)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	7,014	5,296	3,259	(15,035)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,445)	(522)	64	90	(2,813)
Closing Fund Balance	6,489	3,085	(827)	250	8,997

Source: NYS DOB.

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

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

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

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2017
(dollars in millions)

	2016 April Results	May Results	June Results	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,893	7,751	7,210	6,742	6,450	9,914	8,936	7,010	9,916	11,217	11,228	8,934
RECEIPTS:													
Personal Income Tax	4,787	1639	3,123	1926	2,279	3,658	1713	1940	3,740	3,309	2,615	2,691	33,420
Consumption/Use Taxes	547	523	711	558	541	676	550	553	718	572	465	670	7,085
Business Taxes	158	84	871	66	(43)	945	86	104	1201	180	98	2,000	5,750
Other Taxes	75	108	79	79	89	89	88	88	88	87	87	88	1045
Total Taxes	5,567	2,354	4,784	2,629	2,866	5,368	2,437	2,685	5,747	4,148	3,266	5,449	47,300
Abandoned Property	0	0	0	0	0	20	25	120	25	40	20	275	525
ABC License Fee	6	5	4	4	6	6	6	5	5	5	5	6	63
Investment Income	2	2	2	1	1	1	1	1	1	1	1	1	15
Licenses, Fees, etc.	22	70	54	49	55	65	45	50	65	45	60	59	639
Motor Vehicle Fees	17	16	26	(4)	21	19	16	15	13	14	14	16	183
Reimbursements	6	16	36	6	8	45	3	20	40	14	25	44	263
Other Transactions	16	404	54	28	33	238	35	58	78	56	35	103	1138
Total Miscellaneous Receipts	69	518	176	84	124	394	131	269	227	175	160	504	2,826
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	1	1
PIT in Excess of Revenue Bond Debt Service	1594	531	1,181	473	290	1493	572	371	1,288	692	614	1,775	10,874
Tax in Excess of LGAC	247	111	453	249	209	309	249	250	333	257	3	197	2,867
Sales Tax Bond Fund	196	184	274	196	194	277	190	191	274	198	156	316	2,646
Real Estate Taxes in Excess of CW/CA Debt Service	74	74	91	94	81	83	82	73	77	84	74	64	951
All Other	5	39	23	5	1	54	6	1	1	44	85	939	1,203
Total Transfers from Other Funds	2,116	939	2,022	1,017	775	2,216	1,099	886	1,973	1,275	932	3,291	18,541
TOTAL RECEIPTS	7,752	3,806	6,982	3,730	3,765	7,978	3,667	3,840	7,947	5,598	4,358	9,245	68,668
DISBURSEMENTS:													
School Aid	754	2,900	1,898	50	597	1,641	891	1,548	1,852	783	475	7,712	21,101
Higher Education	19	25	648	217	134	192	349	46	210	40	362	767	3,009
All Other Education	52	118	514	148	50	367	45	30	238	97	194	462	2,315
Medicaid - DOH	998	1267	1441	1087	1115	506	794	1359	737	910	914	1503	12,631
Public Health	20	207	52	56	34	55	49	63	41	64	50	53	744
Mental Hygiene	3	1	202	2	2	242	2	1	270	12	74	152	963
Children and Families	27	33	271	190	99	123	99	102	234	99	115	277	1669
Temporary & Disability Assistance	95	94	156	93	101	102	102	101	101	102	102	118	1262
Transportation	0	23	11	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	9	0	98	7	0	182	0	0	64	760
All Other	9	19	93	42	45	48	2	183	153	188	195	201	1209
Total Local Assistance Grants	1,977	4,698	5,675	1,894	2,201	3,374	2,340	3,457	4,059	2,295	2,495	11,304	45,769
Personal Service	475	488	609	476	496	540	459	596	470	459	456	488	6,012
Non-Personal Service	103	135	162	132	176	183	184	191	185	188	208	406	2,253
Total Departmental Operations	578	623	771	608	672	723	643	787	655	647	664	894	8,265
General State Charges	2,440	193	391	403	194	193	415	311	61	439	294	218	5,552
Debt Service	245	(2)	(3)	157	(3)	(71)	103	0	(2)	332	(20)	(40)	706
Capital Projects	162	179	107	344	375	97	373	383	32	443	772	543	3,810
State Share Medicaid	95	105	162	127	133	143	154	97	119	116	93	63	1,437
SUNY Operations	213	213	212	179	0	0	0	179	0	0	0	0	996
Other Purposes	83	939	208	476	485	55	67	552	87	25	49	1002	4,578
Total Transfers to Other Funds	798	1434	686	1293	990	224	1,247	1211	266	916	894	1568	11,527
TOTAL DISBURSEMENTS	5,793	6,948	7,523	4,198	4,057	4,514	4,645	5,766	5,041	4,297	4,347	13,984	71,113
Excess/(Deficiency) of Receipts over Disbursements	1,959	(3,142)	(541)	(468)	(292)	3,464	(978)	(1,926)	2,906	1,301	11	(4,739)	(2,445)
CLOSING BALANCE	10,893	7,751	7,210	6,742	6,450	9,914	8,936	7,010	9,916	11,217	11,228	6,489	6,489

Source: NYS DOB

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New York State
Annual Information Statement

June 29, 2016

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Introduction

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Introduction

This Annual Information Statement (AIS) is dated June 29, 2016 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and replaces the AIS dated June 1, 2015 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Financial Plan" or "Enacted Budget") for fiscal year 2017[1] (FY 2017), issued by the Division of the Budget (DOB) in May 2016. The Enacted Budget sets forth the State's official Financial Plan projections for FY 2017 through FY 2020. It includes, among other things, information on the major components of the FY 2017 General Fund gap-closing plan, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State's operating funds.

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

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

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

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

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

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

however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

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

Note that all FY 2016 financial results contained within this AIS are unaudited and preliminary. The annual independent audit of the State's Basic Financial Statements is expected to be completed by July 29, 2016. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2016. These reports will contain the final FY 2016 financial results. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2015 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

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

Usage Notice

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

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

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

Budgetary and Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

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

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

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

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

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

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

The Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on a number of assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, taking into account the current and projected fiscal position of the State. The Financial Plan projections for FY 2018 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending to no greater than 2 percent. Total disbursements in the Financial Plan tables and narrative, contained in this AIS, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Financial Plan Overview

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

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

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

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

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

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

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

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

General Fund Cash Basis Financial Plan

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

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

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

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

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

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

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

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

FY 2016 Year-End Results, Excluding Monetary Settlements

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

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

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

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

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

The State ended FY 2016 with a General Fund cash balance, excluding monetary settlements, of $2.6 billion. The balance consists of $1.8 billion in the State's rainy day funds, $63 million in the Community Projects Fund, and $21 million in the Contingency Reserve Fund. In addition, the balance included $500 million set aside for debt management and $15 million for costs of labor agreements. The undesignated fund balance is $237 million.

Budget Negotiations and Subsequent Events

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

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

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

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

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

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

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

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

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

FY 2017 Financial Plan

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

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

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

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

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

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

Receipts (Excluding Monetary Settlements)

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

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

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

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

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

General Fund non-tax receipts and transfers are estimated at $3.8 billion in FY 2017, an increase of $86 million from FY 2016 results. The increase is primarily due to transfers from a variety of accounts that have accumulated resources in prior years.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2017 Through 2020" herein.

Disbursements (Excluding Monetary Settlements)

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

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

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

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

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

Closing Balance for FY 2017

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

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

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

TOTAL BALANCES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	**8,934**	**6,069**	**(2,865)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	63	53	(10)
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements Prior to FY 2017	15	150	135
Monetary Settlements	6,300	3,547	(2,753)
Programmed	5,755	2,882	(2,873)
Unbudgeted	545	665	120
Undesignated Fund Balance	237	0	(237)

[8] The undesignated fund balance carried forward from FY 2016 totaled $237 million, of which $150 million is now reserved for potential costs of prior year labor agreements and the remaining $87 million planned for use in FY 2017.

FY 2017 Detailed Gap-Closing Plan

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

FY 2017 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(1,781)**	**(2,802)**	**(4,414)**	**(4,205)**
SPENDING CHANGES	**2,143**	**695**	**231**	**(477)**
Agency Operations	**340**	**44**	**(72)**	**(488)**
Executive Agency Operations	168	70	97	33
Fringe Benefits/Fixed Costs	193	(11)	(154)	(506)
University Systems/Independent Officials	(21)	(15)	(15)	(15)
Local Assistance	**1,793**	**1,459**	**1,451**	**1,538**
Higher Education	49	51	49	38
Mental Hygiene	174	90	16	(54)
Health Care	287	201	154	174
STAR *	184	477	575	670
Human Services/Housing	150	74	71	60
Updated Aid Claims	576	407	459	464
All Other	373	159	127	186
Debt Management	**723**	**367**	**243**	**304**
Capital Projects	**72**	**(13)**	**85**	**(11)**
Initiatives/Investments	**(785)**	**(1,162)**	**(1,476)**	**(1,820)**
School Aid	(382)	(587)	(612)	(640)
Education/Higher Education	(132)	(128)	(113)	(83)
Minimum Wage Increase	(19)	(126)	(355)	(588)
SUNY/CUNY Performance Incentive Program	0	(30)	(30)	(30)
Charter School Funding	0	(27)	(27)	(27)
All Other	(252)	(264)	(339)	(452)
RESOURCE CHANGES	**(362)**	**(220)**	**(106)**	**(572)**
Tax Revisions	(579)	(44)	164	100
Federal DSHP Resources	(250)	0	0	0
STARC Debt Refunding Savings	200	200	200	0
STAR Conversion*	(98)	(281)	(574)	(671)
All Other	365	(95)	104	(1)
TAX ACTIONS	**0**	**(274)**	**(1,186)**	**(1,643)**
Middle Class Tax Cuts	0	(236)	(1,071)	(1,504)
Other Tax Extenders/Credits	0	(38)	(115)	(139)
ADHERENCE TO 2% SPENDING BENCHMARK [2]	**n/a**	**2,956**	**4,634**	**6,498**
ENACTED BUDGET SURPLUS/(GAP)	**0**	**355**	**(841)**	**(399)**

[1] State Fiscal Year 2016 Mid-Year Update, dated November 2015.

[2] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2017 projections). The Governor is expected to propose, and negotiate with the Legislature to enact, an annual budget that restricts State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

* Converting the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners. See "STAR Program" in "Financial Plan Projections Fiscal Years 2017 through 2020" herein.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service (NPS) costs (e.g., supplies, utilities). Redesign and cost-control efforts are expected to continue to reduce spending compared to current service projections. Reductions from the prior projections for agency operations, included with the FY 2017 Executive Budget, contribute $340 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** Compared to the current service projections, savings are due to holding most agency operating budgets at a constant level across the Financial Plan period; the continued transition of individuals from mental hygiene institutions to appropriate community settings; and the alignment of certain operating and equipment costs with capital and Federal financing sources. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including the utilization of a management system known as "Lean" which applies a series of principles to streamline operations and management.

  On a State Operating Funds basis, and excluding the 27th institutional payroll in FY 2016 and certain repayments to the New York Power Authority (NYPA), Executive agency operational costs are expected to total $10.0 billion in FY 2017, slightly lower than FY 2016. In FY 2018 and beyond, spending is expected to increase by $60 million to $80 million annually. Agencies with growth include DOH, reflecting the NYSOH benefit exchange and the new EP program; Corrections; State Police; Gaming; Office of Mental Health (OMH); Office for People with Developmental Disabilities (OPWDD); and Office for Children and Family Services (OCFS).

- **Fringe Benefits/Fixed Costs:** Estimates for fringe benefits and fixed costs have been lowered to reflect the payment of the FY 2017 Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS) pension bill in April 2016 rather than on the March 1, 2017 due date. In addition, resources are expected to be provided directly to the State Insurance Fund (SIF) to offset the State's cost for workers' compensation claims over the next four years ($140 million in FY 2017; $100 million in both FY 2018 and 2019, and $35 million in FY 2020). Increasing fringe benefit costs associated with updated baseline growth in health insurance rate renewals and workers' compensation costs offset these savings in future years.

- **University Systems:** Spending on the State University of New York (SUNY) operations will be reduced through the discontinuation of previous legislative additions.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate $1.8 billion in General Fund savings.[9] Savings are expected from both targeted actions and continuation of prior-year cost containment. Specifically:

- **Higher Education:** Savings include revisions to scholarship awards due to updates in both enrollment patterns and average award amounts.

- **Mental Hygiene:** The spending has been reduced to reflect revised timelines for ongoing transformation efforts in the mental hygiene system, and the Federal government's extension of the timeframe to disburse funding from the Balancing Incentive Program (BIP).

- **Health Care:** Spending estimates have been reduced for the Child Health Plus (CHP) program as a result of Federal funding under the ACA. Savings also reflect additional HCRA resources that lower General Fund spending. Furthermore, additional means to offset costs under the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative authorized in the FY 2017 Enacted Budget. This voluntary initiative permits DOH and local social service districts to formulate a joint plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide Financial Plan savings.

- **STAR:** The Enacted Budget Financial Plan reflects the gradual transformation of the STAR benefit to a refundable PIT credit. While the new credit becomes effective in the 2016 tax year, the change only applies to new housing transactions, i.e., new homebuyers, and homeowners who move.[10] This transformation reduces State spending and more appropriately reflects the program costs as a tax expenditure, which is the current basis of the program, and provides more transparency regarding school tax levy growth. In addition, the New York City PIT STAR credit will be converted to a New York State PIT STAR credit, a simple reporting change that eliminates the need to reimburse costs paid by the City.

- **Human Services:** Savings reflect the use of Temporary Assistance to Needy Families (TANF) funding sources to reduce OCFS Child Care General Fund spending. They also reflect a one-time revision to the Pay For Success program based on timing, and updated spending forecasts in several programs, including OCFS spending on detention reconciliation, the Committee on Special Education, and Medicaid-related foster care spending. These savings are partially offset by revised costs for public assistance, based on an update to DOB's caseload models as well as spending in the Bridges to Health program and the reinvestment of State savings gained from Federal rule changes in post-

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

[10] Transforming the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners.

adoption and primary preventive services. This reinvestment is required in order to continue Federal provision of Title IV-E funds.

- **Updated Aid Claims:** Savings are expected due to updated claims for expense-based aid programs submitted by school districts and the STAR program, including claims for transportation, building aid and special education.

- **All Other:** Savings are expected from additional lottery/Video Lottery Terminal (VLT) receipts available to fund School Aid; use of available Mortgage Insurance Fund (MIF) resources to fund initiatives addressing housing and homelessness programs; special education programs and grant spending based on updated information; funding certain local government programs with available resources earmarked for municipal restructuring; and spending revisions based on utilization trends in other local assistance programs.

Debt Management

Savings reflect the prepayment of $710 million of FY 2017 expenses in FY 2016 and $60 million of FY 2018 expenses in FY 2017, as well as expected refundings, continued use of competitive bond sales, and other debt management resources.

Capital Projects

General Fund support for capital projects is lower due to the use of accumulated resources, such as the use of available bond proceeds, and as a result of lower than anticipated capital spending.

Initiatives/Investments

During budget negotiations, the Executive and Legislature agreed to $663 million in new spending additions beyond the Executive Budget proposal. (See “Changes to the Executive Budget” herein.)

The Enacted Budget includes the Executive-recommended spending increases for SUNY State-operated campuses and CUNY senior colleges; charter school tuition; homelessness, poverty reduction; the State subsidy to maintain Verrazano Bridge toll levels; victim services; upstate transit infrastructure; violence prevention; and aging. It also reflects debt service costs for new capital initiatives to be funded with bonds.

Resource Changes

- **Tax Revisions:** The estimate for annual tax receipts has been revised to reflect the updated forecast for the U.S. and State economies and results to date. In addition, the reconciliation of prior year tax collections from mobile telecommunication services companies is expected to reduce sales tax collections.

- **Federal Designated State Health Program (DSHP) Resources:** FY 2017 resources have been reduced by $250 million to remove previously expected Federal DSHP revenue to support transformational changes in the Mental Hygiene service delivery system while the State pursues the matter with the Centers for Medicare & Medicaid Services (CMS).

- **Sales Tax Asset Receivable Corporation (STARC) Debt Refunding Savings**: The Enacted Budget includes a provision that permits the State to realize refunding savings on debt funded exclusively with State resources. In 2004, STARC issued $2.6 billion in debt (STARC bonds) to refinance certain obligations related to the New York City fiscal crisis. The STARC bonds are secured by $170 million in annual State sales tax payments to STARC through 2034. In October 2014, STARC refunded the STARC bonds, generating about $650 million in debt service savings that, due to structuring provisions, accrued to New York City. Given the unique structure of the STARC bonds, the State will recoup the savings on the refunding of the STARC bonds over the next three State fiscal years through the adjustment of sales tax receipts otherwise payable to New York City.

- **STAR Program Conversion:** The conversion of the NYC PIT STAR credit to a State credit, and the conversion of the STAR benefit to a tax credit for new and relocated homeowners, will result in lower General Fund tax collections in upcoming fiscal years. There will be no impact on the level of benefits for taxpayers covered by the change.

- **Other Resource Changes:** Other changes include updated estimates of various miscellaneous receipts and accumulated transfers from other funds, including revenue transfers from the collection of franchise operator fees for gaming facilities, Federal health care reimbursements, and NYPA to support annual energy-related program activity, with no additional contributions expected.

Tax Actions

- **Middle Class Tax Cuts:** Effective in FY 2018, the Enacted Budget provides reduced personal income tax rates over the course of eight years for New York's middle-income families and small businesses. When fully phased-in, the range of marginal tax rates on middle incomes will be reduced from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent, providing annual savings of $4.2 billion for 6 million middle-class taxpayers when fully phased in 2025. Without this legislation, these taxpayers would have faced an increased marginal tax rate of 6.85 percent after the end of tax year 2017. The cost of this tax law change grows from $236 million in FY 2018 to $1.5 billion in FY 2020, on a cash basis.

- **Other Tax Extenders/Credits:** Other significant tax actions include enhancing the Urban Youth Jobs Program Tax Credit and the extension of other tax credits.

Changes to Executive Budget

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

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
RESTORATIONS/ADDITIONS TO EXECUTIVE PLAN	**(1,181)**	**(1,929)**	**(1,804)**	**(2,168)**
New Spending Adds:	(663)	(732)	(743)	(741)
School Aid	(382)	(587)	(612)	(640)
Other Education Aid	(78)	(91)	(87)	(57)
Higher Education	(54)	(36)	(26)	(26)
Human Services/Labor	(64)	0	0	0
All Other	(85)	(18)	(18)	(18)
Restorations/Modifications:	(518)	(1,197)	(1,061)	(1,427)
CUNY Financing Parity	(153)	(505)	(516)	(529)
NYC Medicaid Growth Takeover	(180)	(476)	(589)	(705)
STAR Benefit Conversion to Tax Credit (Modified)	(98)	(96)	(96)	(95)
STAR Exemption Cap/Mandatory Income Verification	(56)	(117)	(173)	(229)
Retiree Health Insurance	(10)	(20)	(30)	(41)
Excess Medical Malpractice	0	(25)	(25)	(25)
Debt Service Cost of Capital Adds	0	(107)	(137)	(178)
Other Restorations/Modifications/Rejected Initiatives	(21)	149	505	375
TAX LAW REVISIONS TO EXECUTIVE PLAN	**(17)**	**161**	**(539)**	**(987)**
Not Accepted:	0	411	561	562
Small Business Taxes Rate Reduction	0	298	298	298
Education Tax Credit	0	0	150	150
Thruway Toll Credit	0	113	113	114
Modified/New:	(17)	(250)	(1,100)	(1,549)
Middle Class Income Tax Cut	0	(236)	(1,071)	(1,504)
Farmer Wage Credit	0	0	(15)	(18)
All Other	(17)	(14)	(14)	(27)
TAX RECEIPTS REVISIONS	**(350)**	**0**	**0**	**0**
ADDITIONAL/NEW COSTS	**(39)**	**(162)**	**(394)**	**(629)**
Public Assistance Caseload Increase	(20)	(36)	(39)	(41)
Minimum Wage Increase	(19)	(126)	(355)	(588)
AVAILABLE RESOURCES	**1,587**	**450**	**391**	**537**
Updated Local Claims	576	407	459	464
Accumulated Transfers	300	0	0	0
FY 2016 Prepayments/Advances	256	0	0	0
All Other Revisions	455	43	(68)	73
NET SAVINGS/(COSTS)[1]	**0**	**(1,480)**	**(2,346)**	**(3,247)**

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

During budget negotiations, the Executive and Legislature agreed to $1.2 billion in General Fund additions and restorations to the FY 2017 Executive Budget proposal.

The Executive and Legislature also reached agreement on the restoration of certain proposed tax law changes included in the Executive Budget, as well as modifications and new tax law changes, including a middle class personal income tax cut and a farm wage credit. In addition, receipts have been revised downward in all years to reflect updated economic forecasts.

The Enacted Budget reflects revised costs for public assistance, based on an update to DOB's caseload models. It also includes funding to support salary and related fringe benefit costs associated with minimum wage increases for Medicaid-funded and related programs.

The Enacted Budget Financial Plan identifies resources in FY 2017 that DOB estimates will be sufficient to fund the additions and restorations from budget negotiations, as well as to cover the new costs that have emerged. The resources include:

- Updated local claims for expense-based aid programs for school districts and for the STAR program ($576 million), including claims for transportation, building aid and special education. Expense-based aids are subject to quarterly updating and fluctuate unpredictably.

- Certain transfers to the General Fund and other financing sources that were initially expected in FY 2016 are now scheduled to be available in FY 2017, including an adjustment to transfers supporting capital projects spending to reflect the use of accumulated resources, such as available bond proceeds ($50 million); franchise fees for the operation of gaming facilities to offset education spending ($137 million); Federal health care reimbursements ($61 million); and youth facility reimbursements ($13 million).

- Cost reestimates permitted the State to make additional prepayments of FY 2017 expenses ($256 million).

- Other changes include revisions to projected spending across multiple programs based on operating results for FY 2016, and other management actions, as well as the use of $87 million in undesignated funds.

The table below summarizes the changes to the FY 2017 Executive Budget Financial Plan that impact State Operating Funds spending.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN
STATE OPERATING FUNDS SPENDING
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
EXECUTIVE BUDGET PROPOSAL	**95,898**	**99,741**	**103,287**	**106,629**
RESTORATIONS/ADDITIONS TO EXECUTIVE PLAN	**1,345**	**1,834**	**1,709**	**2,074**
New Spending Adds:	663	732	743	741
School Aid	382	587	612	640
All Other	281	145	131	101
Restorations/Modifications:	682	1,102	966	1,333
CUNY Financing Parity	393	505	516	529
NYC Medicaid Growth Takeover	180	476	589	705
STAR Exemption Cap/Mandatory Income Verification	56	117	173	229
Retiree Health Insurance Savings	10	20	30	41
Excess Medical Malpractice	10	25	25	25
Debt Service Cost of Capital Adds	0	107	137	178
Other Restorations/Modifications/Rejected Initiatives	33	(148)	(504)	(374)
ADDITIONAL/NEW COSTS	**89**	**218**	**450**	**686**
State Police/Thruway Reclassification	50	56	56	57
Public Assistance Caseload Increase	20	36	39	41
Minimum Wage Increase	19	126	355	588
AVAILABLE RESOURCES	**(1,152)**	**(734)**	**(746)**	**(824)**
Updated Local Claims	(576)	(407)	(459)	(464)
Debt Service Savings	(100)	0	0	0
FY 16 Prepayment/Advances	(197)	0	0	0
Capital Staff to Capital Funds (Mental Hygiene)	(82)	(83)	(84)	(85)
Transit Receipts Revision	(18)	(17)	(21)	(25)
All Other Revisions	(179)	(227)	(182)	(250)
ENACTED BUDGET SPENDING [1]	**96,180**	**101,059**	**104,700**	**108,565**

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

In addition to the General Fund changes described above, other significant new costs and available resources that impact spending include the restatement of spending for State Police services on the New York State Thruway ($50 million); reclassification of mental hygiene personnel and fringe benefit expenses, related to the maintenance and preservation of State assets, to capital projects funds ($82 million); and revised transit aid spending based on the updated receipts forecast.

The Enacted Budget Financial Plan sets aside a portion of the General Fund balance to fund the estimated FY 2017 cost of the PEF agreement. On June 7, 2016, the agreement was ratified by the PEF membership and subsequently, a pay bill was passed by the Legislature.[11] Spending is expected to increase by approximately $146 million in FY 2017 (covering FY 2016 and FY 2017) and $74 million annually thereafter.

[11] New York State legislative bill number S08070 / A10653.

Cash Flow

The State authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). Money may be borrowed for up to four months, or to the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to borrow funds from STIP for a period of five days. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller. Available balances include money in the State's governmental funds and a relatively small amount of other money belonging to the State. Several accounts in Debt Service Funds and Capital Projects Funds that are part of All Governmental Funds are excluded from the balances deemed available in STIP. These excluded funds consist of bond proceeds and money obligated for debt service payments.

DOB expects that the State will have sufficient liquidity in FY 2017 to make all planned payments as they become due. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES
FY 2017
(millions of dollars)

	General Fund	Other Funds	All Funds
April	10,864	3,316	14,180
May	7,460	4,354	11,814
June	8,186	4,928	13,114
July	7,836	5,364	13,200
August	7,187	5,418	12,605
September	10,815	3,339	14,154
October	9,626	3,384	13,010
November	7,607	2,912	10,519
December	10,722	3,178	13,900
January	11,734	4,903	16,637
February	11,696	4,655	16,351
March	6,069	2,516	8,585

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $8.7 billion in monetary settlements with financial institutions. The following table lists the settlements by firm and amount.

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

	FY 2015	FY 2016	FY 2017	Total
Monetary Settlements	**4,942**	**3,605**	**183**	**8,730**
BNP Paribas	2,243	1,348	0	3,591
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	0	800
Credit Suisse AG	715	30	0	745
Commerzbank	610	82	0	692
Barclays	0	670	0	670
Credit Agricole	0	459	0	459
Bank of Tokyo Mitsubishi	315	0	0	315
Bank of America	300	0	0	300
Standard Chartered Bank	300	0	0	300
Goldman Sachs	0	50	190	240
Morgan Stanley	0	150	0	150
Bank Leumi	130	0	0	130
Ocwen Financial	100	0	0	100
Citigroup (State Share)	92	0	0	92
MetLife Parties	50	0	0	50
American International Group, Inc.	35	0	0	35
PricewaterhouseCoopers	25	0	0	25
AXA Equitable Life Insurance Company	20	0	0	20
Promontory	0	15	0	15
New Day	0	1	0	1
Other Settlements	7	0	(7)	0

Uses of Monetary Settlements

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

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

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

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**3,547**	**2,646**	**1,446**	**714**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**183**	**0**	**0**	**0**	**0**	**8,730**
Use/Transfer of Funds	**275**	**1,972**	**2,936**	**901**	**1,200**	**732**	**49**	**8,065**
Capital Projects Fund:								
Transfer to Dedicated Infrastructure Investment Fund	0	857	1,351	1,701	1,700	732	49	6,390
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	120
Transfer to/(from) Capital Projects Fund	0	0	1,300	(800)	(500)	0	0	0
Other Purposes:								
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	627
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	5
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**3,547**	**2,646**	**1,446**	**714**	**665**	**665**

The following purposes will be funded with $6.5 billion of monetary settlement collections from capital appropriations[12]:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Matters Affecting the Financial Plan

General

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

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

The Financial Plan is based on numerous assumptions, including the condition of the State and national economies and the concomitant receipt of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include the impacts of: national and international events; ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the outcome of litigation and other claims affecting the State.

Among other factors, the Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to market securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, the budgets enacted for FYs 2014 through 2017 authorized spending for School Aid to increase above personal income growth that would otherwise be used to calculate the school year increases. The FY 2017 Enacted Budget includes a 6.5 percent School Aid increase, compared to personal income indexed rate of 3.9 percent.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the current Financial Plan. Over the past five years, DOH State Funds Medicaid spending levels have been maintained at or below indexed levels. However, Medicaid program spending is sensitive to a number of factors including fluctuations in economic conditions, which may increase caseload. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. However, these actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and therefore General Fund spending remains sensitive to revenue performance in the State's HCRA fund (which finances approximately one-quarter of the DOH State-share costs of Medicaid).

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

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

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to, and recovery from, severe weather events and other disasters. Despite modest legislative adjustments to the budgetary caps contained in the Budget Control Act of 2011, the possibility for a reduction in Federal support is elevated so long as the caps remain in place. Any reduction in Federal funding levels could have a materially adverse impact on the Financial Plan. In addition, the Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. Issues of particular concern are described below.

Medicaid Redesign Team (MRT) Medicaid Waiver

The Federal CMS and the State have reached an agreement authorizing up to $8 billion in new Federal funding, over several years, to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding, provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver, is divided among the Interim Access Assurance Fund (IAAF), the Delivery System Reform Incentive Payment (DSRIP) Program, Health Homes, and various other Medicaid redesign initiatives.

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

Federal Debt Ceiling

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. Including the temporary suspension of the debt limit that ended that standoff in 2013, Congress has passed three suspensions of the debt limit since then, the most recent extending through March of 2017.

A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and State economies, financial markets, and intergovernmental aid payments. The specific effects on the Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

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

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

Current Labor Negotiations (Current Contract Period)

The State has reached multi-year collective bargaining agreements beyond FY 2016 with two unions -- the State Police Troopers and Commissioned and Noncommissioned Officers – both represented by the Police Benevolent Association of the New York State Troopers (NYSPBA). These agreements provided members with a 2 percent general salary increase at the start of FY 2015 and FY 2016, respectively, and a 1.5 percent general salary increase that will commence at the start of FY 2017 and FY 2018, respectively. The State is in active negotiations with all other employee unions.

The State recently reached a one-year retroactive labor agreement, and a pay bill was passed by the Legislature, to provide a 2 percent annual salary increase to members of the New York State Public Employees Federation (PEF) for the period April 1, 2015 through March 31, 2016. This agreement brings PEF in line with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose last salary increase occurred at the end of FY 2015, and with the New York State Police Investigators Association, whose last salary increase occurred at the end of FY 2011.

The State is prepared to negotiate fiscally responsible successor agreements with all of these unions. The State Operating Funds cost of providing a 1 percent general salary increase effective in FY 2017 for PEF, PBANYS, CSEA, UUP, NYSCOPBA, Council 82, DC-37 Housing and GSEU and unrepresented management/confidential (M/C) employees is approximately $131 million annually.

Pension Amortization[13]

Background

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

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

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

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

The amortization rates (i.e., the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to 1 percentage point per year. When the average normal rate is more than 1 percentage point greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal

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

average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percentage point greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates. The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Financial Plan no longer assumes amortization of State and OCA pension costs beyond FY 2016.

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

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

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

Outyear Projections

All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS (ERS and PFRS) updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, the System announced that employer contribution rates would decrease for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed — for ERS the scale was reduced from 4.8 percent to 3.8 percent and for PFRS the scale was reduced from 5.4 percent to 4.5 percent. Factoring in these and other assumptions, the average contribution rate for ERS will decrease from 18.2 percent of payroll to 15.5 percent, or about 15 percent, while the average contribution rate for PFRS will decrease from 24.7 percent of payroll to 24.3 percent, or approximately 2 percent.

The FY 2017 ERS/PFRS pension payment estimate of $2.1 billion incorporates the most recent estimate prepared by OSC as of April 2016. This includes payment of prior amortizations totaling $432 million and additional interest savings by paying the non-Judiciary and Judiciary pension bills in April 2016. Total payment estimates include both the non-Judiciary and Judiciary components, and reflects payment of the entire pension bill, with no additional amortization.

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

STATE PENSION COSTS AND AMORTIZATION SAVINGS (millions of dollars)					
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
AMORTIZATION THRESHOLDS (Graded Rate)					
ERS (%)	9.5	10.5	11.5	12.5	13.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5
STATEWIDE PENSION PAYMENTS	**1,470**	**1,696**	**1,601**	**2,086**	**2,118**
Gross Pension Costs	1,633	2,140	2,192	2,744	2,438
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	393

STATE PENSION COSTS AND AMORTIZATION SAVINGS (CONTINUED) (millions of dollars)					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
AMORTIZATION THRESHOLDS (Graded Rate)					
ERS (%)	14.5	15.1	15.1	14.6	14.8
PFRS (%)	22.5	23.5	23.8	23.3	23.5
STATEWIDE PENSION PAYMENTS	**2,225**	**2,352**	**2,463**	**2,445**	**2,500**
Gross Pension Costs	2,189	1,920	2,031	2,013	2,068
(Amortization Amount) / Excess Contributions	(356)	0	0	0	0
Repayment of Amortization (incl. FY 2005 and FY 2006)	392	432	432	432	432

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

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

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.8	(713.1)	305.6	1,918.3
Projections:				
2016	1,972.2	(356.2)	389.9	2,005.9
2017	1,696.2	0.0	432.1	2,128.3
2018	1,802.2	0.0	432.1	2,234.3
2019	1,780.4	0.0	432.1	2,212.5
2020	1,830.5	0.0	432.1	2,262.6
2021	1,911.4	0.0	432.2	2,343.6
2022	1,977.9	0.0	399.8	2,377.7
2023	1,993.5	0.0	331.3	2,324.8
2024	2,009.1	0.0	240.1	2,249.2
2025	2,024.4	0.0	126.5	2,150.9
2026	2,039.6	0.0	42.2	2,081.8
2027	2,054.3	0.0	0.0	2,054.3
2028	2,068.9	0.0	0.0	2,068.9
2029	2,061.5	0.0	0.0	2,061.5
2030	2,052.1	0.0	0.0	2,052.1
2031	2,040.4	0.0	0.0	2,040.4

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

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

Other Post-Employment Benefits (OPEB)

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State and are enrolled in the New York State Health Insurance Program (NYSHIP), or are enrolled in the NYSHIP opt-out program at the time they reach retirement and have at least ten years of eligible service for NYSHIP benefits. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2015, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2015, the unfunded actuarial accrued liability for FY 2015 is $77.4 billion ($63.426 billion for the State and $13.933 billion for SUNY), an increase of $9.2 billion from FY 2014 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2015 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State, and April 1, 2012 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Driving a significant portion of the annual growth in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries, reflecting an improvement in life expectancy in future years, and resulting in increases to accrued liabilities and the present value of projected benefits. Also driving a portion of the annual growth are the expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2015 totaled $3 billion ($2.3 billion for the State and $0.7 billion for SUNY), an increase of $20 million from FY 2014 ($17 million for the State and $3 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $1.5 billion ($1 billion for the State and $0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2015. This difference between the State's PAYGO costs, and the actuarially-determined ARC under GASB Statement 45, reduced the State's net asset condition at the end of FY 2015 by $1.5 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the current Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis.
There is no provision in the Financial Plan to fund the ARC for OPEB. If the State began making a contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health

Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), the Department of Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its current PAYGO funding practice.

The State is currently examining GASB Statement 75, which amends GASB Statement 45 requirements. The GASB Statement 75 will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the funded status of the OPEB liabilities to be reported by the State. The State does not currently expect to implement the GASB Statement 75 changes until the State's FY 2019 Basic Financial Statements.

Litigation

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

Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms present economic and financial risks to the State. Reimbursement claims for costs of the immediate response are being processed, and both recovery and future mitigation efforts have begun, largely supported by Federal funds. In January 2013, the Federal government approved approximately $60 billion in Federal disaster aid for general recovery, rebuilding and mitigation activity nationwide. It is anticipated that New York State, MTA, and New York State localities may receive approximately one-half of this amount for response, recovery, and mitigation costs. To date, a total of $17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across New York State. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities over the coming years.

Climate Change Adaptation

Climate change poses long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated vulnerabilities in the State's infrastructure (including mass transit systems, power transmission and distribution systems, and other critical lifelines) to extreme weather events, including coastal flooding caused by storm surges. Significant long-term planning and investment by the Federal government, State, municipalities, and public utilities are expected to be needed for adapting existing infrastructure to climate change risks.

Financial Condition of New York State Localities

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

Bond Market

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

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only, and for maximum terms of 30 years. The Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. The State was in compliance with the statutory caps in the most recent calculation period (FY 2015).

DOB projects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $4.9 billion in FY 2016 to $105 million in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2016	1,142,490	4.00%	45,700	40,814	4,885	3.57%	0.43%	9,415	50,229
FY 2017	1,193,200	4.00%	47,728	42,981	4,747	3.60%	0.40%	8,111	51,092
FY 2018	1,251,360	4.00%	50,054	48,166	1,889	3.85%	0.15%	6,813	54,979
FY 2019	1,315,830	4.00%	52,633	51,988	645	3.95%	0.05%	5,771	57,759
FY 2020	1,379,570	4.00%	55,183	55,078	105	3.99%	0.01%	4,895	59,973
FY 2021	1,444,290	4.00%	57,772	57,488	284	3.98%	0.02%	3,421	60,909

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2016	153,265	5.00%	7,663	4,087	3,576	2.67%	2.33%	1,492	5,579
FY 2017	152,346	5.00%	7,617	4,355	3,262	2.86%	2.14%	823	5,178
FY 2018	159,142	5.00%	7,957	4,766	3,192	2.99%	2.01%	1,477	6,242
FY 2019	160,110	5.00%	8,006	5,365	2,640	3.35%	1.65%	1,392	6,757
FY 2020	163,777	5.00%	8,189	5,856	2,333	3.58%	1.42%	1,362	7,218
FY 2021	170,279	5.00%	8,514	6,247	2,267	3.67%	1.33%	1,198	7,444

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Enacted Budget. The summary below highlights each factor and its cumulative impact on the remaining capacity under the cap since the FY 2017 Executive Budget proposal. These factors include a change (reduction) to the personal income forecast, additional capital commitments approved in the Enacted Budget, revised estimates for bond-financed capital spending, debt issuance adjustments that leverage the State's strong liquidity position, and economic refundings of SUNY Dormitory Facilities debt. In the Enacted Budget, capital spending estimates have consistently been revised downward, as spending estimates are reconciled to actual results. Over the past four years, actual results have been $2.8 billion below the level projected in the Executive Budget for the most recently completed fiscal year (FY 2013 - $685 million, FY 2014 - $543 million, FY 2015 - $587 million, and FY 2016 - $957 million). In managing the State's debt issuances, the Enacted Budget assumes that cash on hand from settlement moneys will be used to defer $1.3 billion of bond issuances in FY 2017, which will instead be issued in FY 2018 ($800 million) and in FY 2019 ($500 million). Also, debt issuances were further reduced by $500 million in FY 2017 for timing-related reasons, reflecting the lag between capital spending and reimbursements from bond sales. With respect to the SUNY Dormitory Facilities refundings, it is expected that bonds under the existing program will be refunded into the new SUNY Dormitory Facilities Revenue Credit (not subject to the statutory debt cap) as they reach their call dates.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
30-Day Executive Budget Financial Plan	**4,403**	**2,892**	**1,522**	**630**	**189**	**584**
Personal Income Forecast Adjustment	8	(108)	(206)	(190)	(180)	(170)
New Base for Enacted Budget Financial Plan	**4,411**	**2,784**	**1,316**	**440**	**9**	**414**
Enacted Capital Adds	0	(897)	(1,180)	(1,313)	(2,068)	(2,908)
Enacted Capital Reestimates	474	1,042	752	1,001	1,553	1,983
Management of Debt Issuances	0	1,818	974	454	448	441
SUNY Dorms Anticipated Refundings	0	0	27	63	163	353
Enacted Budget Financial Plan	**4,885**	**4,747**	**1,889**	**645**	**105**	**284**

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, which include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2016, there were approximately $257 million of bonds outstanding for this program.

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining financially distressed hospitals, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014 when $12 million was paid, and again in FY 2015 and FY 2016 when $24 million and $19 million were paid, respectively. DASNY also estimates the State will pay debt service costs of approximately $25 million in FY 2017, and approximately $14 million annually in FY 2018 through FY 2021. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital that currently is not meeting the terms of its loan agreement with DASNY, a second financially distressed hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $24 million annually, if all financially distressed hospitals failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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

In May 2011, the New York State Supreme Court issued an order (the "May 2011 Order") that approved the transfer of real property and other assets of LICH to a New York State not-for-profit corporation ("Holdings"), the sole member of which is SUNY. Subsequent to such transfer, Holdings leased the LICH hospital facility to SUNY University Hospital at Brooklyn ("Downstate Hospital"). In 2012, DASNY issued tax exempt State PIT Revenue Bonds ("PIT Bonds"), to refund approximately $120 million in outstanding debt originally incurred by LICH and assumed by Holdings.

Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a RFP seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

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

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing) is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. The external demolition of the buildings had been the subject of a court ordered restraint that was removed as of October 29, 2015. In its efforts to complete the demolitions and environmental remediation, the Purchaser has continued to deal with challenges raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

If the NMS Closing does not occur on or before June 30, 2016, NYU Hospitals Center has the right to terminate its obligations under the purchase and sale agreement upon 30 days prior notice to Purchaser and Holdings. There can be no assurance that NYU Hospitals Center will not exercise its right to terminate after July 1, 2016. If NYU Hospitals Center terminates its obligations under the purchase and sale agreement, it has the contractual right to close its interim emergency department services immediately, but that right would be subject to obtaining regulatory approval for the closure. Also, if NYU Hospitals Center terminates its obligations under the purchase and sale agreement, the Purchaser has the ability under the purchase and sale agreement to continue with the final closing if, among other things, the Purchaser can identify a replacement provider with a confirming letter of interest to provide certain of the healthcare services expected to be provided by NYU Hospitals Center.

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

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

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

2016 Legislative Session

The State's regular legislative session for 2016 ended on June 18, 2016. During the session, several bills with a fiscal impact were approved by the Legislature and signed by the Governor, including a bill that provides certain military veterans with enhanced pension benefits. In addition, a number of bills have been passed by the Legislature and are expected to be sent to the Governor for his review. DOB is evaluating the fiscal impact of the legislative session and expects to reflect, in the First Quarterly Update to the Financial Plan, the estimated costs associated with bills signed by the Governor.

State Financial Plan Projections
Fiscal Years 2017 Through 2020

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Introduction

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

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

- **Disbursements:** Roughly 40 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, transportation, and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish, the further removed such estimates and projections are from the date of this Enacted Budget Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2017 budget, FY 2018, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2017 Through 2020

Summary

The FY 2017 Enacted Budget Financial Plan reflects a 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence with a 2 percent spending benchmark.

The projections for FY 2018 and thereafter set forth in the Enacted Budget Financial Plan reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled on a distinct line in the Enacted Budget Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” The total disbursements in the Enacted Budget Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State does not adhere to the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, FY 2019, and FY 2020, the projected budget gaps would be higher.

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

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes (After Debt Service)	62,581	65,117	68,201	68,307	71,029
Miscellaneous Receipts/Federal Grants	5,842	2,813	2,486	2,455	2,318
Other Transfers	1,253	1,046	750	750	734
Total Receipts	**69,676**	**68,976**	**71,437**	**71,512**	**74,081**
DISBURSEMENTS					
Local Assistance Grants	43,314	45,957	49,086	51,650	54,496
School Aid	20,133	21,101	22,679	23,931	25,241
Medicaid/EP	12,136	12,683	13,566	14,470	15,448
All Other	11,045	12,173	12,841	13,249	13,807
State Operations	7,955	8,299	8,655	8,499	8,640
Personal Service	6,011	6,054	6,097	6,135	6,189
Non-Personal Service	1,944	2,245	2,558	2,364	2,451
General State Charges	5,397	5,425	5,824	6,033	6,417
Transfers to Other Funds	11,376	12,160	11,375	12,005	12,156
Debt Service	1,196	706	1,260	1,182	1,076
Capital Projects	2,721	4,461	3,019	3,399	3,311
State Share of Mental Hygiene Medicaid	2,036	1,437	1,325	1,301	1,236
SUNY Operations	998	996	1,001	997	997
All Other	4,425	4,560	4,770	5,126	5,536
Total Disbursements	**68,042**	**71,841**	**74,940**	**78,187**	**81,709**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**2,956**	**4,634**	**6,498**
Use (Reservation) of Fund Balance:	**(1,634)**	**2,865**	**902**	**1,200**	**731**
Community Projects Fund	11	10	0	0	0
Labor Agreements Prior to FY 2017	35	15	0	0	0
Undesignated Fund Balance	(47)	87	0	0	0
Monetary Settlements[2]	(1,633)	2,753	902	1,200	731
Programmed	(1,088)	2,873	902	1,200	731
Unbudgeted	(545)	(120)	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**355**	**(841)**	**(399)**

[1] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, Budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

[2] FY 2016 and FY 2017 reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $1.35 billion in FY 2017); the Environmental Protection Fund ($120 million in FY 2017); and the mental hygiene account for Federal disallowance repayment ($850 million in FY 2016).

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes	73,279	75,832	79,208	79,989	83,142
Miscellaneous Receipts/Federal Grants	23,328	18,807	18,606	18,799	18,502
Total Receipts	**96,607**	**94,639**	**97,814**	**98,788**	**101,644**
DISBURSEMENTS					
Local Assistance Grants	62,653	64,889	67,885	70,742	73,563
School Aid (School Year Basis)	23,290	24,797	25,906	27,219	28,599
DOH Medicaid	17,453	18,184	18,982	19,882	20,741
Transportation	4,745	4,952	5,040	5,097	5,192
STAR	3,335	3,228	2,977	2,921	2,869
Higher Education	2,955	3,031	3,097	3,158	3,195
Social Services	2,949	2,924	2,982	3,015	3,047
Mental Hygiene	2,646	2,571	3,132	3,494	3,738
All Other[1]	5,280	5,202	5,769	5,956	6,182
State Operations	18,583	18,534	18,893	18,885	19,034
Personal Service	12,981	12,841	12,900	13,020	13,113
Non-Personal Service	5,602	5,693	5,993	5,865	5,921
General State Charges	7,452	7,551	8,022	8,302	8,736
Pension Contribution	2,225	2,352	2,463	2,445	2,500
Health Insurance (Active Employees)	2,178	2,343	2,484	2,651	2,831
Health Insurance (Retired Employees)	1,285	1,376	1,459	1,557	1,663
All Other	1,763	1,479	1,616	1,648	1,743
Debt Service	5,598	5,203	6,257	6,771	7,232
Capital Projects	2	3	2	0	0
Total Disbursements	**94,288**	**96,180**	**101,059**	**104,700**	**108,565**
Net Other Financing Sources/(Uses)	432	(1,657)	140	(327)	(134)
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**2,956**	**4,634**	**6,498**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,751)	3,198	504	764	158
General Fund	(1,634)	2,865	902	1,200	731
Special Revenue Funds	(1,075)	422	(290)	(344)	(413)
Debt Service Funds	(42)	(89)	(108)	(92)	(160)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**355**	**(841)**	**(399)**

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

[2] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, projected budget gaps would be higher.

Receipts

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

Overall base growth in tax receipts is dependent on many factors. In general, base tax receipts growth rates are determined by economic changes including, but not limited to, changes in interest rates, prices, wages, employment, nonwage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

The projections of Federal receipts generally correspond to the anticipated spending levels of a variety of programs including Medicaid, public assistance, mental hygiene, education, public health, and other activities, including extraordinary aid.

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see "Exhibit D - Principal State Taxes and Fees" herein.

Overview of the Receipts Forecast

All Funds receipts in FY 2017 are projected to total $152.3 billion, 0.6 percent below FY 2016 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	47,055	49,464	5.1%	51,755	4.6%	51,734	0.0%	53,743	3.9%
Consumption/Use Taxes	15,725	16,134	2.6%	16,866	4.5%	17,453	3.5%	18,005	3.2%
Business Taxes	7,884	7,994	1.4%	8,323	4.1%	8,448	1.5%	8,863	4.9%
Other Taxes	2,703	2,183	-19.2%	2,174	-0.4%	2,191	0.8%	2,292	4.6%
Payroll Tax	1,306	1,353	3.6%	1,416	4.7%	1,485	4.9%	1,562	5.2%
Total State Taxes	**74,673**	**77,128**	**3.3%**	**80,534**	**4.4%**	**81,311**	**1.0%**	**84,465**	**3.9%**
Miscellaneous Receipts	27,268	23,567	-13.6%	25,875	9.8%	25,308	-2.2%	24,802	-2.0%
Federal Receipts	51,324	51,651	0.6%	52,733	2.1%	53,490	1.4%	54,512	1.9%
Total All Fund Receipts	**153,265**	**152,346**	**-0.6%**	**159,142**	**4.5%**	**160,109**	**0.6%**	**163,779**	**2.3%**

State tax receipts are expected to increase 3.3 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

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

After controlling for the impact of tax law changes, base tax revenue increased 5.4 percent in FY 2016, and is projected to increase by 3.5 percent in FY 2017 and 5.3 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**47,055**	**49,464**	**5.1%**	**51,755**	**4.6%**	**51,734**	**0.0%**	**53,743**	**3.9%**
Gross Collections	56,600	58,540	3.4%	61,895	5.7%	62,741	1.4%	66,091	5.3%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
GENERAL FUND[1]	**31,957**	**33,870**	**6.0%**	**35,839**	**5.8%**	**35,879**	**0.1%**	**37,438**	**4.3%**
Gross Collections	56,600	58,540	3.4%	61,895	5.7%	62,741	1.4%	66,091	5.3%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
STAR	(3,335)	(3,228)	3.2%	(2,977)	7.8%	(2,921)	1.9%	(2,869)	1.8%
RBTF	(11,763)	(12,366)	-5.1%	(12,939)	-4.6%	(12,934)	0.0%	(13,436)	-3.9%

[1]Excludes Transfers.

All Funds income tax receipts for FY 2017 are projected to be $49.5 billion, an increase of $2.4 billion (5.1 percent) from FY 2016 results. This increase includes growth in withholding, estimated payments attributable to the 2016 tax year, final returns, and delinquency collections, coupled with a moderate decline in total refunds related to the decrease of the administrative refund cap in January to March 2017. Growth in these categories is partially offset by a decline in extension payments attributable to the 2015 tax year.

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

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts					
Withholding	36,549	38,356	39,802	41,056	43,158
Estimated Payments	16,111	16,106	17,805	17,194	18,244
Current Year	11,561	12,045	13,159	12,102	13,152
Prior Year[1]	4,550	4,061	4,646	5,092	5,092
Final Returns	2,630	2,720	2,891	3,034	3,168
Current Year	269	280	292	292	292
Prior Year[1]	2,361	2,440	2,599	2,742	2,876
Delinquent	1,310	1,358	1,397	1,457	1,521
Gross Receipts	56,600	58,540	61,895	62,741	66,091
Refunds					
Prior Year[1]	5,130	5,037	6,366	6,608	7,556
Previous Years	618	718	689	714	744
Current Year[1]	2,551	1,750	1,750	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709
State/City Offset[1]	675	688	688	688	589
Total Refunds	9,545	9,076	10,140	11,007	12,348
Net Receipts	**47,055**	**49,464**	**51,755**	**51,734**	**53,743**

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

Withholding in FY 2017 is projected to be $1.8 billion (4.9 percent) higher than FY 2016 results, due mainly to moderate estimated wage growth. Extension payments related to tax year 2015 are estimated to decrease by $489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 payments (taxpayers paid a higher percentage of their tax year 2015 liability through estimated payments and a lower percentage through extensions). Estimated payments for tax year 2016 are projected to be $484 million (4.2 percent) higher. Final return payments and delinquencies are projected to be $90 million (3.4 percent) higher and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $469 million (4.9 percent) includes a $93 million decline (1.8 percent) in prior (tax year 2015) refunds, a $100 million (16.2 percent) increase in previous (tax year 2014 and earlier) refunds, an $801 million (31.4 percent) decline in current (tax year 2016) refunds (due to a decrease in the January to March 2017 administrative refund cap), a $312 million (54.6 percent) increase in advanced credit payments related to tax year 2016, and a $13 million (1.9

percent) increase in the state-city offset. The advanced credit payment forecast includes $98 million in payments attributable to the conversion of the STAR homeowners' benefit to a personal income tax credit.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2017 of $33.9 billion are estimated to increase by $1.9 billion (6 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.4 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $51.8 billion are projected to increase by $2.3 billion (4.6 percent) from FY 2017 estimates. Gross receipts are projected to increase 5.7 percent, reflecting withholding that is projected to grow by $1.4 billion (3.8 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.1 billion (9.2 percent). The relatively weak growth in withholding is attributable to the combination of the newly-enacted middle income tax cuts and the scheduled decline of the current top marginal tax rate from 8.82 percent to 6.85 percent, both effective for tax year 2018. Payments from extensions for tax year 2016 are projected to increase by $585 million (14.4 percent) and final returns are expected to increase $171 million (6.3 percent). Delinquencies are projected to increase $39 million (2.9 percent) from the prior year. Total refunds are projected to increase by $1.1 billion (11.7 percent) from the prior year. The aforementioned figures include a $236 million reduction in withholding attributable to the personal income tax rate reductions, and a $281 million increase in total refunds attributable to the STAR program changes included with the FY 2017 Enacted Budget legislation.

General Fund PIT receipts for FY 2018 of $35.8 billion are projected to increase by $2 billion (5.8 percent). RBTF deposits are projected to be $12.9 billion, and the STAR transfer is projected to be $3 billion.

All Funds PIT receipts in FY 2019 are projected to decrease by $21 million to $51.7 billion, while General Fund PIT receipts are projected to total $35.9 billion. Projected near-flat growth in FY 2019 receipts is due to the aforementioned expiration of the current top income tax rate at the end of tax year 2017, combined with continued phase-in of the just enacted middle income tax cuts. Legislation included in the FY 2017 Enacted Budget is projected to reduce FY 2019 collections by $1.7 billion.

All Funds income tax receipts are projected to increase by $2 billion (3.9 percent) in FY 2020 to reach $53.7 billion, while General Fund receipts are projected to total $37.4 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,134**	**2.6%**	**16,866**	**4.5%**	**17,453**	**3.5%**	**18,005**	**3.2%**
Sales Tax	13,359	13,870	3.8%	14,573	5.1%	15,192	4.2%	15,780	3.9%
Cigarette and Tobacco Taxes	1,251	1,226	-2.0%	1,192	-2.8%	1,151	-3.4%	1,105	-4.0%
Motor Fuel Tax	503	494	-1.8%	491	-0.6%	486	-1.0%	483	-0.6%
Highway Use Tax	158	84	-46.8%	138	64.3%	140	1.4%	141	0.7%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%
Medical Marihuana Excise Tax	0	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge	73	70	-4.1%	70	0.0%	70	0.0%	70	0.0%
Auto Rental Tax	126	128	1.6%	135	5.5%	142	5.2%	149	4.9%
GENERAL FUND[1]	**6,819**	**7,087**	**3.9%**	**7,424**	**4.8%**	**7,712**	**3.9%**	**7,983**	**3.5%**
Sales Tax	6,242	6,481	3.8%	6,816	5.2%	7,109	4.3%	7,386	3.9%
Cigarette and Tobacco Taxes	322	348	8.1%	345	-0.9%	335	-2.9%	324	-3.3%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.1 billion, an increase of $409 million (2.6 percent) from FY 2016 results. Sales tax receipts are estimated to increase $511 million (3.8 percent) from the prior year, resulting from 3.7 percent base (i.e., absent law changes) growth. This base growth stems from estimated moderate disposable income, employment, and consumption growth. Cash results are reduced by agreements between certain mobile telecommunications providers and the State to allow such providers to remit less sales tax for a period in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. Cigarette and tobacco tax collections are estimated to decline $25 million (2 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are expected to decrease by $74 million (46.8 percent) due to refunds resulting from the *Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance* court decision as well as a reduction in continuing registration fees resulting from the same litigation. Motor fuel tax collections are expected to decrease $9 million (1.8 percent), reflecting an expected increase in refunds combined with a slight decline in taxable motor fuel consumption, partially offset by slight growth in diesel consumption. Taxicab receipts are estimated to decline by $3 million (4.1 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

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

General Fund consumption/use tax receipts for FY 2017 are estimated to total nearly $7.1 billion, an increase of $268 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts for FY 2018 are projected to be $16.9 billion, an increase of $732 million (4.5 percent) from the current year. The projected $703 million (5.1 percent) increase in sales tax receipts reflects sales tax base growth of 4.1 percent, due to projected disposable income, employment, and consumption growth.

General Fund consumption/use tax receipts are projected to total $7.4 billion in FY 2018, a $337 million (4.8 percent) increase from the current year. The projected increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts are projected to increase to nearly $17.5 billion (3.5 percent growth) in FY 2019 and to $18 billion (3.2 percent growth) in FY 2020, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

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

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**7,884**	**7,994**	**1.4%**	**8,323**	**4.1%**	**8,448**	**1.5%**	**8,863**	**4.9%**
Corporate Franchise Tax	4,527	4,483	-1.0%	4,780	6.6%	4,822	0.9%	5,222	8.3%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	754	1.3%
Insurance Tax	1,580	1,477	-6.5%	1,572	6.4%	1,701	8.2%	1,784	4.9%
Bank Tax	(121)	203	267.8%	190	-6.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,124	1,093	-2.8%	1,049	-4.0%	1,038	-1.0%	1,032	-0.6%
GENERAL FUND	**5,647**	**5,750**	**1.8%**	**6,078**	**5.7%**	**6,155**	**1.3%**	**6,538**	**6.2%**
Corporate Franchise Tax	3,763	3,688	-2.0%	3,950	7.1%	3,949	0.0%	4,312	9.2%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%
Insurance Tax	1,419	1,321	-6.9%	1,407	6.5%	1,521	8.1%	1,597	5.0%
Bank Tax	(129)	173	234.1%	162	-6.4%	122	-24.7%	60	-50.8%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

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

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

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

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

Bank tax receipts are estimated to increase by $324 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments. Audit receipts are estimated to increase $17 million from FY 2016 results.

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

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

All Funds business tax receipts for FY 2018 of $8.3 billion are projected to increase by $329 million (4.1 percent) from FY 2017. The increase in corporation franchise tax receipts of $297 million (6.6 percent) reflects full implementation of the majority of the corporate tax reform changes with liability growth reflecting projected growth in corporate profits. The corporation and utilities tax receipts decline of $6 million (0.8 percent) reflects lower telecommunications receipts partially offset by a modest increase in utility tax revenue. Insurance tax receipts are projected to increase $95 million (6.4 percent). Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contributes to year-over-year growth. Bank tax receipts are projected to decrease by $13 million (6.4 percent), due to lower projected audit receipts. PBT receipts are projected to decline $44 million (4 percent) in FY 2018, primarily due to the projected 5 percent decrease in the PBT rate index effective January 2017 noted above and projected modest declines in taxable motor fuel consumption, partially offset by growth in diesel fuel consumption.

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

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

FY 2019, and increase to $8.9 billion (4.9 percent growth) in FY 2020. General Fund business tax receipts are expected to increase to $6.2 billion (1.3 percent growth) in FY 2019 and $6.5 billion (6.2 percent growth) in FY 2020.

Other Taxes

OTHER TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,183**	**-19.2%**	**2,174**	**-0.4%**	**2,191**	**0.8%**	**2,292**	**4.6%**
Estate Tax	1,521	1,024	-32.7%	949	-7.3%	912	-3.9%	963	5.6%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Estate Transfer Tax	1,163	1,138	-2.1%	1,204	5.8%	1,258	4.5%	1,308	4.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,045**	**-32.1%**	**970**	**-7.2%**	**933**	**-3.8%**	**984**	**5.5%**
Estate Tax	1,521	1,024	-32.7%	949	-7.3%	912	-3.9%	963	5.6%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be slightly below $2.2 billion, a $520 million (19.2 percent) decrease from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $497 million (32.7 percent) due to the continued phase-in of the increased filing threshold, and an expected return to historical levels of super large payments (i.e., payments over $25 million). Additionally, real estate transfer tax receipts are projected to decrease $25 million (2.1 percent) due to the combination of a small estimated decrease in the volume of transactions in New York City and a large estimated decrease in housing starts statewide, partially offset by year-over-year price growth. The transaction decline is partially due to a building permit shift from FY 2017 into FY 2016 caused by the uncertainty that surrounded the extension of New York City property tax abatement legislation. The remaining taxes in this category are estimated to generate an additional $2 million (10.5 percent) largely due to legislation that legalized mixed martial arts.

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

All Funds other tax receipts for FY 2018 are projected to slightly decline due to a projected decrease in estate tax receipts resulting from the continued phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Additionally, real estate transfer tax receipts are projected to increase in FY 2018 reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $75 million (7.2 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 and FY 2020 reflect tax cuts, projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to increase slightly (0.8 percent) in FY 2019, then resume trend growth (4.6 percent) in FY 2020. General Fund other tax receipt estimates for FY 2019 and FY 2020 are projected to decrease by 3.8 percent, then increase by 5.5 percent, respectively, due to the projected changes in estate tax receipts noted in the table above.

Miscellaneous Receipts and Federal Grants

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, tribal-state compact revenue, monetary settlements and a variety of fees and licenses.

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**27,268**	**23,567**	**-13.6%**	**25,875**	**9.8%**	**25,308**	**-2.2%**	**24,802**	**-2.0%**
General Fund	5,842	2,813	-51.8%	2,486	-11.6%	2,455	-1.2%	2,318	-5.6%
Special Revenue Funds	17,117	15,681	-8.4%	15,797	0.7%	16,025	1.4%	15,867	-1.0%
Capital Projects Funds	3,822	4,618	20.8%	7,127	54.3%	6,367	-10.7%	6,158	-3.3%
Debt Service Funds	487	455	-6.6%	465	2.2%	461	-0.9%	459	-0.4%

All Funds miscellaneous receipts are projected to total $23.6 billion in FY 2017, a decrease of 13.6 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS. In addition to the impact of monetary settlements, declining FY 2017 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to increase in FY 2018, largely reflecting the expected timing of bond proceed reimbursement for capital expenditures, and remain relatively flat in FY 2019 and FY 2020.

FEDERAL GRANTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**51,324**	**51,651**	**0.6%**	**52,733**	**2.1%**	**53,490**	**1.4%**	**54,512**	**1.9%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	49,105	49,416	0.6%	50,567	2.3%	51,326	1.5%	52,292	1.9%
Capital Projects Funds	2,146	2,162	0.7%	2,093	-3.2%	2,091	-0.1%	2,147	2.7%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are expected to grow to $54.5 billion by FY 2020, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

Disbursements

Total disbursements in FY 2017 are estimated at $71.8 billion in the State's General Fund (including transfers) and $96.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

The multi-year disbursements projections take into account various factors, including statutorily-indexed rates, agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections also account for the timing of payments, since not all of the amounts appropriated pursuant to an Enacted Budget are disbursed in the same fiscal year. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agencies) in State Special Revenue Funds have been adjusted downward in all fiscal years, based on typical spending patterns and the observed variance between estimated and actual results over time. A corresponding downward adjustment is also made to miscellaneous receipts.

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $64.9 billion in FY 2017, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES
(millions of dollars)

			Forecast		
	FY 2016 Results[1]	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
MEDICAID					
Individuals Covered	6,140,813	6,320,438	6,408,439	6,451,522	6,474,592
- Essential Plan	441,223	472,815	476,091	479,390	482,711
- Child Health Plus (Caseload)	275,854	281,516	283,205	284,904	286,614
State Takeover of County/NYC Costs	$2,031	$2,360	$2,680	$2,989	$3,287
- Family Health Plus	$0	$0	$0	$0	$0
- Medicaid	$2,031	$2,360	$2,680	$2,989	$3,287
EDUCATION					
SY School Aid (Funding)	$23,290	$24,797	$25,906	$27,219	$28,599
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	573,555	573,555	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	301,554	301,869	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	243,642	238,388	235,591	232,955	230,355
Safety Net Program (Families)	117,682	115,259	113,865	112,561	111,278
Safety Net Program (Singles)	203,114	203,512	203,920	206,266	208,355
Total Mental Hygiene Community Beds	98,323	101,389	104,362	107,382	107,467
- OMH Community Beds	42,151	44,323	46,716	49,166	49,166
- OPWDD Community Beds	42,314	42,938	43,437	43,971	43,971
- OASAS Community Beds	13,858	14,128	14,209	14,245	14,330
PRISON POPULATION (CORRECTIONS)	52,800	52,000	N/A	N/A	N/A

[1] Reflects preliminary unaudited results.

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to increase by $1.51 billion (6.5 percent) in SY 2017. This increase includes $627 million for additional Foundation Aid and $434 million for full restoration of the Gap Elimination Adjustment (GEA) for all 674 school districts. In total, $175 million is provided to facilitate the transformation of schools in high-need districts into community hubs offering expanded services to children and their families, including $100 million as a set-aside within Foundation Aid and $75 million in new Community Schools Grants. The latter will be awarded to school districts with failing and persistently failing schools, based on a plan developed by SED, to support the operating and capital costs associated with the conversion of such schools into community schools. In addition, another $344 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Enacted Budget Financial Plan also includes $28 million for new competitive grants, including $22 million to expand prekindergarten access for three-year-old children. In addition, the Enacted Budget Financial Plan reflects the continuation of $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

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

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) (millions of dollars)									
	SY 2016	SY 2017	Change	SY 2018	Change	SY 2019	Change	SY 2020	Change
Total	**23,290**	**24,797**	**1,507**	**25,906**	**1,109**	**27,219**	**1,313**	**28,599**	**1,380**
			6.5%		4.5%		5.1%		5.1%

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

State Fiscal Year

The State finances School Aid from General Fund and Lottery Fund receipts, including VLTs, which are accounted for and disbursed from a dedicated account. Because the State fiscal year begins on April 1, the State typically pays approximately 70 percent of the annual school year commitment during the State fiscal year in which the related Budget is enacted, and pays the remaining 30 percent in the first three months of the following State fiscal year.

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

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

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**23,302**	**24,422**	**4.8%**	**25,898**	**6.0%**	**27,196**	**5.0%**	**28,555**	**5.0%**
General Fund Local Assistance	20,133	21,101	4.8%	22,679	7.5%	23,931	5.5%	25,241	5.5%
Core Lottery Aid	2,219	2,360	6.4%	2,243	-5.0%	2,227	-0.7%	2,224	-0.1%
VLT Lottery Aid	950	961	1.2%	886	-7.8%	867	-2.1%	893	3.0%
Commercial Gaming - VLT Offset	0	0	0.0%	71	0.0%	89	25.4%	63	-29.2%
Commercial Gaming	0	0	0.0%	19	0.0%	82	331.6%	134	63.4%

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

It is expected that State aid payments for School Aid will be supplemented by commercial gaming revenues, beginning in FY 2017. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Location Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Location Board in October 2015. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid to be funded from casino revenue resources becomes a General Fund obligation. It is expected that the four casinos will be operational in FY 2018.

Other Education Funding

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

OTHER EDUCATION (millions of dollars)	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,085**	**2,330**	**11.8%**	**2,390**	**2.6%**	**2,520**	**5.4%**	**2,626**	**4.2%**
Special Education	1,317	1,437	9.1%	1,540	7.2%	1,657	7.6%	1,784	7.7%
All Other Education	768	893	16.3%	850	-4.8%	863	1.5%	842	-2.4%

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

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

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

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. It is expected that lower-income senior citizens will receive a $65,300 exemption in FY 2017. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate share of total spending in FY 2017 are: the basic school property tax exemption for homeowners with income under $500,000 (54 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $84,550 (29 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (17 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The projected spending decline over the course of the Financial Plan is the result of changes to the STAR program included in the Enacted Budget and which will phase in over time. STAR will gradually shift from a spending program into a refundable pre-paid PIT credit, with this change applying to first-time homebuyers and to homeowners who move. Further reductions in STAR spending will be achieved by the conversion of the New York City PIT STAR credit into a New York State PIT credit.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

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

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

Higher Education

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

HIGHER EDUCATION
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,955**	**3,031**	**2.6%**	**3,097**	**2.2%**	**3,158**	**2.0%**	**3,195**	**1.2%**
City University	**1,429**	**1,454**	**1.7%**	**1,486**	**2.2%**	**1,527**	**2.8%**	**1,553**	**1.7%**
Senior Colleges	1,198	1,206	0.7%	1,243	3.1%	1,285	3.4%	1,311	2.0%
Community College	231	248	7.4%	243	-2.0%	242	-0.4%	242	0.0%
Higher Education Services	**1,025**	**1,068**	**4.2%**	**1,103**	**3.3%**	**1,123**	**1.8%**	**1,135**	**1.1%**
Tuition Assistance Program	966	978	1.2%	991	1.3%	994	0.3%	994	0.0%
Scholarships/Awards	47	78	66.0%	100	28.2%	117	17.0%	129	10.3%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**501**	**509**	**1.6%**	**508**	**-0.2%**	**508**	**0.0%**	**507**	**-0.2%**
Community College	496	504	1.6%	503	-0.2%	503	0.0%	502	-0.2%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

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

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

In total, State Operating Funds local assistance spending is projected to increase by 2.6 percent from FY 2016 to FY 2017. This increase is distributed across SUNY, CUNY, and HESC programs and operations. Additional outyear growth is projected to be driven by spending in student financial assistance programs, largely the result of increasing enrollment in recent scholarship initiatives such as Science, Technology, Engineering and Math (STEM) and the Get On Your Feet Loan Forgiveness Program. CUNY Senior College spending is also projected to grow in the outyears due to employee benefits costs.

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including those located in New York City, to coordinate and administer statewide health insurance programs and activities. The majority of government-financed health care programs are included under DOH, but a number of programs are also supported through multi-agency efforts.

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, specifically a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Enacted Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of more than $7 billion through FY 2020, with the remaining funds expected to be disbursed beyond FY 2020. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

Medicaid is a means-tested program that finances health care services for low-income individuals and long-term care services for the elderly and disabled, primarily through payments to health care providers. The Medicaid program is financed jointly by the State, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

In FY 2012, legislation was enacted to limit the year-to-year growth in DOH State funds Medicaid spending to the ten-year rolling average of the medical component of the CPI. The statutory provisions of the Medicaid spending cap (or "Global Cap") also allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster. Certain authorizations exist which allow the Governor to take actions to reduce Medicaid spending in order to maintain spending within the Global Cap limit.

The Enacted Budget Financial Plan reflects the continuation of the Medicaid spending cap through FY 2018, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.4 percent for FY 2017. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.2 percent in FY 2018; 3.0 percent in FY 2019; and 2.8 percent in FY 2020.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Global Medicaid Cap[1]	**17,104**	**17,692**	**18,259**	**18,812**	**19,338**
Annual % Change		3.4%	3.2%	3.0%	2.8%

[1] Under the Global Cap, forecasted Medicaid services growth is indexed to the 10-year average of the medical component of the CPI.

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Department of Health Medicaid	17,707	18,147	18,964	19,855	20,711
Local Assistance	17,434	17,850	18,637	19,527	20,376
State Operations	273	297	327	328	335
Other State Agency Medicaid Spending	4,883	4,537	4,952	5,199	5,394
Mental Hygiene	4,739	4,397	4,810	5,057	5,250
Foster Care	89	90	92	92	94
Education	55	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,590**	**22,684**	**23,916**	**25,054**	**26,105**
Annual $ Change		94	1,232	1,138	1,051
Annual % Change		0.4%	5.4%	4.8%	4.2%
Essential Plan[2]	**32**	**377**	**385**	**395**	**406**

[1] DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program, rather than continuing the sales tax intercept option; and increased Federal Financial Participation that became effective in January 2014.

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

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

DEPARTMENT OF HEALTH MEDICAID[1,2]
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS	**17,739**	**18,524**	**4.4%**	**19,349**	**4.5%**	**20,250**	**4.7%**	**21,117**	**4.3%**
General Fund - DOH Medicaid Local	12,117	12,349	1.9%	13,221	7.1%	14,115	6.8%	15,083	6.9%
DOH Medicaid	11,250	11,257	0.1%	12,373	9.9%	13,311	7.6%	14,281	7.3%
Mental Hygiene - Global Cap Adjustment[3]	867	1,092	26.0%	848	-22.3%	804	-5.2%	802	-0.2%
General Fund - DOH Medicaid State Ops[4]	273	297	8.8%	327	10.1%	328	0.3%	335	2.1%
General Fund - Essential Plan	32	377	1078.1%	385	2.1%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	43	230.8%	40	-7.0%	40	0.0%	41	2.5%
Other State Funds - DOH Medicaid Local	5,317	5,501	3.5%	5,416	-1.5%	5,412	-0.1%	5,293	-2.2%
HCRA Financing	3,523	3,737	6.1%	3,712	-0.7%	3,708	-0.1%	3,589	-3.2%
Indigent Care Support	961	952	-0.9%	892	-6.3%	892	0.0%	892	0.0%
Provider Assessment Revenue	833	812	-2.5%	812	0.0%	812	0.0%	812	0.0%

[1] The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.
[2] Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.
[3] The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
[4] Includes operating costs of the New York State of Health Exchange which are funded by DOH within the Medicaid Global Cap.

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

The FY 2017 Enacted Budget Financial Plan also reflects a continuation of the MRT initiative, which focuses on implementing various investments and efficiencies within the statewide Medicaid program in order to achieve improved health care service delivery and cost efficiency within the statutory spending limits of the Medicaid Global Cap. DOH proposes a number of initiatives to reduce spending within the Global Cap, including certain efficiencies in managed care program premiums; realigning the capital and operating components of the Supportive Housing program; and a new penalty for extreme generic drug pricing, in order to discourage such practices and limit cost increases.

The MRT savings initiatives are expected to offset a number of increased cost pressures and program investments within the Global Cap, including increases in Medicare Part D “clawback” expenses as a result of rising drug prices; Medicare Part B increases due to Federal requirements for states to hold certain beneficiaries harmless for premium increases when Cost-of-Living Adjustments (COLAs) are not included in Social Security plans; and additional funding for fiscally distressed hospitals. Savings of $44 million are expected as a result of transferring certain supportive housing costs to the Capital Projects Fund in each of FYs 2017 and 2018. These savings are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap. Additional means to offset rising costs within the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide Financial Plan savings.

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

Essential Plan (EP)

The EP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State to participate in the EP, which includes health insurance coverage for certain legally residing immigrants previously receiving State-only Medicaid coverage. Individuals who meet the EP eligibility standards will be enrolled through the NYSOH health benefit exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 85 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL ALL FUNDS SPENDING	**1,539**	**2,461**	**59.9%**	**2,535**	**3.0%**	**2,610**	**3.0%**	**2,683**	**2.8%**
State Operating Funds	**32**	**377**	**1078.1%**	**385**	**2.1%**	**395**	**2.6%**	**406**	**2.8%**
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	43	230.8%	40	-7.0%	40	0.0%	41	2.5%
Federal Operating Funds	**1,507**	**2,084**	**38.3%**	**2,150**	**3.2%**	**2,215**	**3.0%**	**2,277**	**2.8%**

The Enacted Budget Financial Plan includes forecast revisions based on updated income level data associated with program enrollees, which is expected to drive an increased Federal share of funding and lower the State's share of support as compared with initial estimates. The State's program costs associated with the EP program, and related savings, are managed within the total available resources of the Medicaid Global Cap.

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,774**	**1,643**	**-7.4%**	**1,684**	**2.5%**	**1,713**	**1.7%**	**1,866**	**8.9%**
Public Health	**1,647**	**1,513**	**-8.1%**	**1,551**	**2.5%**	**1,575**	**1.5%**	**1,723**	**9.4%**
Child Health Plus	378	220	-41.8%	230	4.5%	246	7.0%	374	52.0%
General Public Health Work	194	199	2.6%	202	1.5%	206	2.0%	210	1.9%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	159	-0.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	426	383	-10.1%	398	3.9%	397	-0.3%	402	1.3%
All Other	363	420	15.7%	429	2.1%	439	2.3%	450	2.5%
Aging	**127**	**130**	**2.4%**	**133**	**2.3%**	**138**	**3.8%**	**143**	**3.6%**

The FY 2017 Enacted Budget Financial Plan includes approximately $106 million in savings, from the CHP program ($70 million) and HCRA Program account ($36 million), by leveraging enhanced Federal funding for children's health care programs serving populations that meet expanded income thresholds, thus lowering State costs. Growth in FY 2020 for the CHP program is driven mainly by the expirations of enhanced FMAP on September 30, 2019, which will shift a significant portion of support back to State funds.

Annual GPHW spending has been revised in each plan year to reflect recent claiming patterns, and is projected to grow at moderate levels. EPIC program growth reflects increasing pharmaceutical costs which impact Medicare Part D premium payment estimates.

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

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. The HCRA authorization was extended through FY 2017, pursuant to legislation included in the FY 2015 Enacted Budget.

HCRA receipts include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, and a portion of cigarette tax revenues. In total, HCRA resources are used to fund roughly 25 percent of the State share of Medicaid, as well as CHP, the NYSOH, EPIC, Physician Excess Medical Malpractice Insurance, and Indigent Care payments (the latter of which provides funding to hospitals serving a disproportionate share of individuals without health insurance).

HCRA closed FY 2016 with a balance of $78 million, which is the result of an advanced deposit of April 2016 revenue into March 2016. This impact is a matter of timing, and will not impact total forecasted HCRA collections through FY 2017.

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

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
OPENING BALANCE	**14**	**78**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,655**	**5,538**	**5,529**	**5,554**	**5,576**
Surcharges	3,118	3,091	3,131	3,191	3,251
Covered Lives Assessment	1,112	1,079	1,045	1,045	1,045
Cigarette Tax Revenue	928	878	847	816	781
Hospital Assessments	397	404	424	424	424
NYC Cigarette Tax Transfer/Other	100	86	82	78	75
TOTAL DISBURSEMENTS	**5,591**	**5,616**	**5,529**	**5,554**	**5,576**
Medicaid Assistance Account[1]	3,523	3,737	3,713	3,708	3,590
Medicaid Costs	*3,326*	*3,540*	*3,516*	*3,511*	*3,393*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	961	952	892	892	892
HCRA Program Account	429	393	408	406	411
Child Health Plus	381	223	234	249	378
Elderly Pharmaceutical Insurance Coverage	137	144	145	140	140
SHIN-NY/APCD	42	30	0	0	0
All Other	118	137	137	159	165
ANNUAL OPERATING SURPLUS/(DEFICIT)	**64**	**(78)**	**0**	**0**	**0**
CLOSING BALANCE	**78**	**0**	**0**	**0**	**0**

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

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

HCRA spending is expected to total $5.6 billion in FY 2017. The most significant area of spending growth includes additional financing of the State share of Medicaid costs, which is partly offset by a significant decrease in spending for CHP as the availability of Federal resources through the ACA will increase. The Enacted Budget Financial Plan reflects a nonrecurring reduction in HCRA transfers to the Excess Medical Malpractice Liability Pool, which reimburses certain physicians and dentists for a secondary level of medical malpractice insurance coverage, by offsetting the State's FY 2017 subsidy level with existing fund balance availability.

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

Mental Hygiene

The Department of Mental Hygiene is comprised of the OPWDD, OMH, OASAS, the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs. Services are administered to adults with serious mental illness; children with serious emotional disturbances; individuals with developmental disabilities and their families; persons with chemical dependencies; and individuals with compulsive gambling problems.

These agencies provide services directly to their clients through State-operated facilities, and indirectly through community service providers. The costs associated with providing these services are supported by reimbursement from Medicaid, Medicare, third-party insurance and State funding. Patient care revenues are pledged first to the payment of debt service on outstanding mental hygiene bonds, which were issued to finance infrastructure improvements at State mental hygiene facilities, with the remaining revenue used to support State operating costs.

MENTAL HYGIENE
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,646**	**2,571**	**-2.8%**	**3,132**	**21.8%**	**3,494**	**11.6%**	**3,738**	**7.0%**
People with Developmental Disabilities	**2,075**	**2,193**	**5.7%**	**2,362**	**7.7%**	**2,522**	**6.8%**	**2,688**	**6.6%**
Residential Services	1,386	1,465	5.7%	1,578	7.7%	1,685	6.8%	1,796	6.6%
Day Programs	604	638	5.6%	687	7.7%	734	6.8%	782	6.5%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	69	6.2%	74	7.2%	79	6.8%	84	6.3%
Mental Health	**1,135**	**1,191**	**4.9%**	**1,309**	**9.9%**	**1,446**	**10.5%**	**1,502**	**3.9%**
Adult Local Services	917	967	5.5%	1,063	9.9%	1,185	11.5%	1,224	3.3%
Children Local Services	218	224	2.8%	246	9.8%	261	6.1%	278	6.5%
Alcohol and Substance Abuse	**307**	**320**	**4.2%**	**350**	**9.4%**	**371**	**6.0%**	**391**	**5.4%**
Outpatient/Methadone	117	122	4.3%	134	9.8%	142	6.0%	149	4.9%
Residential	123	128	4.1%	140	9.4%	148	5.7%	156	5.4%
Prevention and Program Support	59	61	3.4%	67	9.8%	71	6.0%	75	5.6%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	11	10.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,518**	**3,705**	**5.3%**	**4,022**	**8.6%**	**4,340**	**7.9%**	**4,582**	**5.6%**
Other Adjustments	**(872)**	**(1,134)**	**-30.0%**	**(890)**	**21.5%**	**(846)**	**4.9%**	**(844)**	**0.2%**
Global Cap Adjustment	(867)	(1,092)	-26.0%	(848)	22.3%	(804)	5.2%	(802)	0.2%
Other DOH Offsets	(42)	(42)	0.0%	(42)	0.0%	(42)	0.0%	(42)	0.0%
53rd Medicaid Cycle	37	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 6.8 percent annually. The main factor driving this level of growth is enhancement of community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; maximizing payments from third-party payers; and providing cost-of-living increases and new funding to not-for-profit providers for the minimum wage increase authorized as part of the Enacted Budget agreement.

The Enacted Budget increases local assistance funding for mental hygiene agencies from $3.5 billion in FY 2016 to $3.7 billion in FY 2017. The spending increase is largely related to new community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system; new residential beds opening in OMH; and funding to support a modest 0.2 percent Human Services COLA for not-for-profit providers that deliver services on behalf of OPWDD, OMH and OASAS.

This funding increase is offset by technical adjustments to the Medicaid Global Cap ($225 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources, and recognition of one-time costs in FY 2016 for a 53rd weekly Medicaid Cycle ($37 million). These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

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

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,213**	**1,252**	**3.2%**	**1,281**	**2.3%**	**1,299**	**1.4%**	**1,309**	**0.8%**
SSI	641	670	4.5%	679	1.3%	679	0.0%	679	0.0%
Public Assistance Benefits	474	459	-3.2%	474	3.3%	477	0.6%	479	0.4%
Public Assistance Initiatives	7	29	314.3%	27	-6.9%	36	33.3%	36	0.0%
All Other	91	94	3.3%	101	7.4%	107	5.9%	115	7.5%

OTDA Spending in SSI is projected to increase between FY 2016 and FY 2017 and to continue to increase gradually over the course of the multi-year Financial Plan due to updated caseload projections. Public Assistance benefits spending is projected to decline from FY 2016 to FY 2017, with DOB projecting a total of 557,159 recipients in FY 2017. Approximately 238,388 families are expected to receive benefits through the Family Assistance program in FY 2017, a decrease of 2.2 percent from FY 2016. In the Safety Net program an average of 115,259 families are expected to be helped in FY 2017, a decrease of 2.1 percent from FY 2016. The caseload for single adults/childless couples supported through the Safety Net program is projected at 203,512 in FY 2017, an increase of 0.2 percent from FY 2016. Spending in Public Assistance and All Other Initiatives will increase from FY 2016 to FY 2017 due to the implementation of new programs including several to address homelessness. Growth is expected to be more gradual in the outyears.

Office of Children and Family Services (OCFS)

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by local social services departments and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services for reducing out-of-home placement of children. In addition, the Child Care Block Grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families.

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,736**	**1,672**	**-3.7%**	**1,701**	**1.7%**	**1,716**	**0.9%**	**1,738**	**1.3%**
Child Welfare Service	491	448	-8.8%	472	5.4%	482	2.1%	492	2.1%
Foster Care Block Grant	445	445	0.0%	455	2.2%	464	2.0%	472	1.7%
Adoption	152	154	1.3%	154	0.0%	154	0.0%	154	0.0%
Day Care	270	208	-23.0%	185	-11.1%	178	-3.8%	178	0.0%
Youth Programs	111	161	45.0%	154	-4.3%	153	-0.6%	153	0.0%
Medicaid	89	90	1.1%	92	2.2%	92	0.0%	94	2.2%
Committees on Special Education	45	39	-13.3%	41	5.1%	42	2.4%	44	4.8%
Adult Protective/Domestic Violence	35	32	-8.6%	33	3.1%	34	3.0%	34	0.0%
All Other	98	95	-3.1%	115	21.1%	117	1.7%	117	0.0%

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

Transportation

In FY 2017, the State will provide approximately $5.0 billion in operating aid to mass transit systems. The aid is funded mainly from dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up the lost revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,745**	**4,952**	**4.4%**	**5,040**	**1.8%**	**5,097**	**1.1%**	**5,192**	**1.9%**
Mass Transit Operating Aid:	2,160	2,280	5.6%	2,280	0.0%	2,280	0.0%	2,280	0.0%
Metro Mass Transit Aid	2,030	2,152	6.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	86	84	-2.3%	84	0.0%	84	0.0%	84	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,851	1,950	5.3%	2,052	5.2%	2,113	3.0%	2,207	4.4%
Dedicated Mass Transit	666	661	-0.8%	651	-1.5%	647	-0.6%	649	0.3%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	-100.0%

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

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

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**728**	**715**	**-1.8%**	**763**	**6.7%**	**763**	**0.0%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	13	0	-100.0%	48	0.0%	48	0.0%	48	0.0%

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

Agency Operations

Agency operating costs consist of PS, NPS, and General State Charges (GSCs). PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV) are included in the capital projects fund type and are not reflected in State Operating Funds. The PS estimates reflect current negotiated collective bargaining agreements.

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and nonteaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Negotiated Base Salary Increases[1]					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	TBD	TBD	TBD	TBD
PEF[2]	2%	TBD	TBD	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD
NYSPBA	2%	1.5%	1.5%	TBD	TBD
State Workforce[3]	117,863	118,590	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	18.9%	15.9%	15.5%	15.0%	15.2%
After Amortization[5]	19.3%	19.5%	19.4%	18.8%	18.9%
PFRS Contribution Rate					
Before Amortization[4]	25.5%	25.1%	23.8%	23.3%	23.5%
After Amortization[5]	27.6%	28.7%	27.1%	26.5%	26.7%
Employee/Retiree Health Insurance Growth Rates	4.6%	7.4%	6.0%	6.7%	6.8%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.8%	13.5%	13.7%	13.7%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] The State recently reached a one-year 2% retroactive labor agreement, and a pay bill was subsequently passed by the Legislature.
[3] Reflects workforce that is subject to direct Executive control.
[4] Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP).
[5] After amortization contribution rate includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to grow modestly over the financial plan period from $18.5 billion in FY 2017 to $19.0 billion in FY 2020. Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. The Budget includes costs from collective bargaining agreements, (1.5 percent increases in FYs 2017 and 2018 for NYSPBA), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries.

Excluding the 27th institutional payroll in FY 2016 and certain repayments to NYPA, Executive agency operational costs are expected to total $9.9 billion in FY 2017, slightly lower than FY 2016. In FY 2018 and beyond, spending is expected to increase by $60 to $80 million annually. Agencies with growth include the DOH, attributable to the NYSOH benefit exchange and the new EP program; Corrections; State Police; Gaming; OMH; OPWDD; and OCFS.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,145**	**9,964**	**10,247**	**10,114**	**10,152**
Mental Hygiene	2,824	2,738	2,733	2,775	2,816
Corrections and Community Supervision	2,618	2,622	2,630	2,632	2,640
State Police	693	685	696	696	696
Information Technology Services[1]	506	533	565	577	577
Public Health	403	383	377	377	378
Tax and Finance	336	328	329	329	329
Medicaid Admin/EP	286	340	367	368	376
Children and Family Services	263	245	247	254	254
Environmental Conservation	238	229	229	230	230
Financial Services	202	211	212	212	212
Parks, Recreation and Historic Preservation	181	177	177	175	175
General Services	157	166	166	166	166
Gaming	147	153	158	158	158
Temporary and Disability Assistance	147	130	125	125	125
Workers' Compensation Board	139	137	142	143	145
Extra Bi-Weekly Institutional Pay Period	163	0	0	0	0
New York Power Authority Repayment	21	21	236	22	0
All Other	821	866	858	875	875
UNIVERSITY SYSTEMS	**5,953**	**6,006**	**6,081**	**6,180**	**6,286**
State University	5,866	5,920	5,994	6,092	6,196
City University	87	86	87	88	90
INDEPENDENT AGENCIES	**310**	**319**	**320**	**321**	**324**
Law	169	172	173	174	177
Audit & Control (OSC)	141	147	147	147	147
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,408**	**16,289**	**16,648**	**16,615**	**16,762**
Judiciary	1,959	2,026	2,026	2,051	2,053
Legislature	216	219	219	219	219
Statewide Total	**18,583**	**18,534**	**18,893**	**18,885**	**19,034**
Personal Service	12,981	12,841	12,900	13,020	13,113
Non-Personal Service	5,602	5,693	5,993	5,865	5,921

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

The most significant changes include:

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

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

- **Mental Hygiene:** Lower Mental Hygiene agency spending in FY 2017 is the result of aligning PS and NPS costs to the appropriate fund type.

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

- **Extra Biweekly Institutional Pay Period:** There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule had one additional payroll driven by the way the calendar fell.

- **Judiciary:** FY 2017 salary increase for judges, as authorized by the New York State Commission on Legislative, Judicial, and Executive Compensation, will be absorbed within the Judiciary's budget.

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

Workforce

In FY 2017, $12.8 billion or 13.3 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 98,000 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); employees paid on a nonannual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2017 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,163**	**98,198**
Mental Hygiene Agencies	2,239	33,825
Corrections and Community Supervision	2,070	28,123
State Police	619	5,608
Tax and Finance	269	4,267
Health	268	3,743
Environmental Conservation	174	2,164
Children and Family Services	162	2,465
Financial Services	154	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	1,076	15,093
University Systems	**3,723**	**43,982**
State University	3,678	43,667
City University[2]	45	315
Independent Agencies	**1,955**	**18,185**
Law	118	1,583
Audit & Control (OSC)	114	1,603
Judiciary	1,557	14,998
Legislature[3]	166	1
Total	**12,841**	**160,365**

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

[2] CUNY employees are funded primarily through an agency trust fund that supports an additional 13,330 FTEs, which are excluded from this table.

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

General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.[14] The Judiciary pays its fringe benefit costs directly.

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

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,452**	**7,551**	**1.3%**	**8,022**	**6.2%**	**8,302**	**3.5%**	**8,736**	**5.2%**
Fringe Benefits	**7,045**	**7,143**	**1.4%**	**7,622**	**6.7%**	**7,899**	**3.6%**	**8,328**	**5.4%**
Health Insurance	3,463	3,720	7.4%	3,943	6.0%	4,209	6.7%	4,493	6.8%
Employee Health Insurance	2,178	2,343	7.6%	2,484	6.0%	2,651	6.7%	2,831	6.8%
Retiree Health Insurance	1,285	1,376	7.1%	1,459	6.0%	1,557	6.7%	1,663	6.8%
Pensions	2,225	2,352	5.7%	2,463	4.7%	2,445	-0.7%	2,500	2.2%
Social Security	985	966	-2.0%	971	0.6%	979	0.8%	984	0.5%
Worker's Compensation	476	320	-32.8%	432	35.0%	473	9.5%	583	23.3%
Employee Benefits	91	89	-2.2%	90	1.1%	91	1.1%	92	1.1%
Dental Insurance	59	65	10.2%	65	0.0%	65	0.0%	65	0.0%
Unemployment Insurance	15	17	13.3%	17	0.0%	17	0.0%	17	0.0%
All Other/Non-State Escrow	(270)	(385)	-42.6%	(359)	6.8%	(380)	-5.8%	(406)	-6.8%
Fixed Costs	**407**	**408**	**0.2%**	**399**	**-2.1%**	**404**	**1.0%**	**408**	**1.0%**

GSCs are projected to increase at an average annual rate of 4.1 percent over the Financial Plan period, driven primarily by cost increases for pension contributions and the employer share of costs for employee and retiree health insurance benefits.

In FY 2017, State Operating Funds spending is projected to increase by $99 million (1.3 percent). Health insurance increases are due to rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, and price inflation. Pension cost growth reflects the impact of higher graded rates, which increases the State's gross funding liability, and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

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

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

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

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**11,376**	**12,160**	**11,375**	**12,005**	**12,156**
State Share of Mental Hygiene Medicaid[1]	**2,036**	**1,437**	**1,325**	**1,301**	**1,236**
Debt Service	**1,196**	**706**	**1,260**	**1,182**	**1,076**
SUNY University Operations	**998**	**996**	**1,001**	**997**	**997**
Capital Projects	**2,721**	**4,461**	**3,019**	**3,399**	**3,311**
Dedicated Highway and Bridge Trust Fund	681	602	711	692	974
Dedicated Infrastructure Investment Fund	857	1,351	1,701	1,700	732
Management of Debt Issuances	0	1,300	(800)	(500)	0
Environmental Protection Fund	23	146	28	28	28
All Other Capital	1,160	1,062	1,379	1,479	1,577
ALL OTHER TRANSFERS	**4,425**	**4,560**	**4,770**	**5,126**	**5,536**
Mental Hygiene	3,195	3,284	3,512	3,882	4,288
Department of Transportation (MTA Payroll Tax)	331	333	334	334	335
SUNY - Medicaid Reimbursement	355	282	282	282	282
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	88	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	66	66	66
Banking Services	52	52	53	53	53
Indigent Legal Services	30	35	35	35	35
Mass Transportation Operating Assistance	21	37	38	38	38
Alcoholic Beverage Control	15	0	0	0	0
Information Technology Services	8	2	2	2	2
Public Transportation Systems	15	15	16	16	16
Correctional Industries	11	11	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	7	5	5	5	5
All Other	118	237	231	217	220

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

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and highway use taxes. The Enacted Budget Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds.

General Fund transfers to other funds are expected to total $12.2 billion in FY 2017, a $784 million increase from FY 2016. This growth is primarily due to transfers and uses of settlement money.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities, such as Empire State Development (ESD), DASNY, and the New York State Thruway Authority (NYSTA), subject to appropriation. Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
General Fund	1,196	706	-41.0%	1,260	78.5%	1,182	-6.2%	1,076	-9.0%
Other State Support	4,402	4,497	2.2%	4,997	11.1%	5,589	11.8%	6,156	10.1%
State Operating/All Funds Total	**5,598**	**5,203**	**-7.1%**	**6,257**	**20.3%**	**6,771**	**8.2%**	**7,232**	**6.8%**

Total State Operating/All Funds debt service is projected at $5.2 billion in FY 2017, of which approximately $706 million is paid from the General Fund via transfers, and $4.5 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds. Additional information on the different types of State-supported bonds, including the sources of payment for debt service, is provided in the "Capital Program and Financing Plan" section of the AIS.

The FY 2017 Enacted Budget Financial Plan estimates for debt service spending reflect a number of factors, including bond sale results to date, assumed debt management savings, revised bond-financed capital spending estimates, and increased debt service costs associated with enacted additional capital commitment levels. Debt service spending in FY 2016 reflected prepayments of about $710 million due during FY 2017, and FY 2017 debt service spending estimates assume the prepayment of $60 million of debt service due during FY 2018.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund. The Financial Plan projections for FY 2017 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2% Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2017 THROUGH FY 2020
(millions of dollars)

	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:				
Withholdings	38,356	39,802	41,056	43,158
Estimated Payments	16,106	17,805	17,194	18,244
Final Payments	2,720	2,891	3,034	3,168
Other Payments	1,358	1,397	1,457	1,521
Gross Collections	58,540	61,895	62,741	66,091
State/City Offset	(688)	(688)	(688)	(589)
Refunds	(8,388)	(9,452)	(10,319)	(11,759)
Reported Tax Collections	49,464	51,755	51,734	53,743
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	49,464	51,755	51,734	53,743
Sales and Use Tax	13,870	14,573	15,192	15,780
Cigarette and Tobacco Taxes	1,226	1,192	1,151	1,105
Motor Fuel Tax	494	491	486	483
Alcoholic Beverage Taxes	258	263	268	273
Medical Marihuana Excise Tax	4	4	4	4
Highway Use Tax	84	138	140	141
Auto Rental Tax	128	135	142	149
Taxicab Surcharge	70	70	70	70
Gross Utility Taxes and Fees	16,134	16,866	17,453	18,005
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	16,134	16,866	17,453	18,005
Corporation Franchise Tax	4,483	4,780	4,822	5,222
Corporation and Utilities Tax	738	732	744	754
Insurance Taxes	1,477	1,572	1,701	1,784
Bank Tax	203	190	143	71
Petroleum Business Tax	1,093	1,049	1,038	1,032
Business Taxes	7,994	8,323	8,448	8,863
Estate Tax	1,024	949	912	963
Real Estate Transfer Tax	1,138	1,204	1,258	1,308
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	3	3	3	3
Gross Other Taxes	2,183	2,174	2,191	2,292
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,183	2,174	2,191	2,292
Payroll Tax	1,353	1,416	1,485	1,562
Total Taxes	77,128	80,534	81,311	84,465
Licenses, Fees, Etc.	609	661	634	666
Abandoned Property	525	525	525	525
Motor Vehicle Fees	1,354	1,415	1,435	1,440
ABC License Fee	63	60	66	62
Reimbursements	298	298	280	303
Investment Income	10	13	8	8
Other Transactions	20,708	22,903	22,360	21,798
Miscellaneous Receipts	23,567	25,875	25,308	24,802
Federal Receipts	51,651	52,733	53,490	54,512
Total	152,346	159,142	160,109	163,779

Source: NYS DOB.

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

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	47,752	8,214	19,866	75,832
Miscellaneous Receipts	2,813	15,465	455	18,733
Federal Receipts	0	1	73	74
Total Receipts	50,565	23,680	20,394	94,639
Disbursements:				
Local Assistance Grants	45,957	18,932	0	64,889
Departmental Operations:				
Personal Service	6,054	6,787	0	12,841
Non-Personal Service	2,245	3,409	39	5,693
General State Charges	5,425	2,126	0	7,551
Debt Service	0	0	5,203	5,203
Capital Projects	0	3	0	3
Total Disbursements	59,681	31,257	5,242	96,180
Other Financing Sources (Uses):				
Transfers from Other Funds	18,411	7,853	3,262	29,526
Transfers to Other Funds	(12,160)	(698)	(18,325)	(31,183)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,251	7,155	(15,063)	(1,657)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,865)	(422)	89	(3,198)
Closing Fund Balance	6,069	3,125	249	9,443

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,311	8,057	20,840	79,208
Miscellaneous Receipts	2,486	15,581	465	18,532
Federal Receipts	0	1	73	74
Total Receipts	52,797	23,639	21,378	97,814
Disbursements:				
Local Assistance Grants	49,086	18,799	0	67,885
Departmental Operations:				
Personal Service	6,097	6,803	0	12,900
Non-Personal Service	2,558	3,386	49	5,993
General State Charges	5,824	2,198	0	8,022
Debt Service	0	0	6,257	6,257
Capital Projects	0	2	0	2
Total Disbursements	63,565	31,188	6,306	101,059
Other Financing Sources (Uses):				
Transfers from Other Funds	18,640	8,044	3,976	30,660
Transfers to Other Funds	(11,375)	(205)	(18,940)	(30,520)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,265	7,839	(14,964)	140
Use (Reservation) of Fund Balance:				
Monetary Settlements	902	0	0	902
Programmed	902	0	0	0
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	902	0	0	902
Adherence to 2% Spending Benchmark*	2,956	0	0	2,956
Net Surplus (Deficit)	355	290	108	753

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,679	8,128	21,182	79,989
Miscellaneous Receipts	2,455	15,809	461	18,725
Federal Receipts	0	1	73	74
Total Receipts	53,134	23,938	21,716	98,788
Disbursements:				
Local Assistance Grants	51,650	19,092	0	70,742
Departmental Operations:				
Personal Service	6,135	6,885	0	13,020
Non-Personal Service	2,364	3,452	49	5,865
General State Charges	6,033	2,269	0	8,302
Debt Service	0	0	6,771	6,771
Capital Projects	0	0	0	0
Total Disbursements	66,182	31,698	6,820	104,700
Other Financing Sources (Uses):				
Transfers from Other Funds	18,378	8,319	3,821	30,518
Transfers to Other Funds	(12,005)	(215)	(18,625)	(30,845)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,373	8,104	(14,804)	(327)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,200	0	0	1,200
Programmed	1,200	0	0	1,200
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	1,200
Adherence to 2% Spending Benchmark*	4,634	0	0	4,634
Net Surplus (Deficit)	(841)	344	92	(405)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,943	8,188	22,011	83,142
Miscellaneous Receipts	2,318	15,651	459	18,428
Federal Receipts	0	1	73	74
Total Receipts	55,261	23,840	22,543	101,644
Disbursements:				
Local Assistance Grants	54,496	19,067	0	73,563
Departmental Operations:				
Personal Service	6,189	6,924	0	13,113
Non-Personal Service	2,451	3,421	49	5,921
General State Charges	6,417	2,319	0	8,736
Debt Service	0	0	7,232	7,232
Capital Projects	0	0	0	0
Total Disbursements	69,553	31,731	7,281	108,565
Other Financing Sources (Uses):				
Transfers from Other Funds	18,820	8,520	3,837	31,177
Transfers to Other Funds	(12,156)	(216)	(18,939)	(31,311)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,664	8,304	(15,102)	(134)
Use (Reservation) of Fund Balance:				
Monetary Settlements	731	0	0	731
Programmed	731	0	0	731
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	731
Adherence to 2% Spending Benchmark*	6,498	0	0	6,498
Net Surplus (Deficit)	(399)	413	160	174

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,934	3,607	(891)	160	11,810
Receipts:					
Taxes	47,752	8,214	1,296	19,866	77,128
Miscellaneous Receipts	2,813	15,681	4,618	455	23,567
Federal Receipts	0	49,416	2,162	73	51,651
Total Receipts	50,565	73,311	8,076	20,394	152,346
Disbursements:					
Local Assistance Grants	45,957	64,737	4,203	0	114,897
Departmental Operations:					
Personal Service	6,054	7,442	0	0	13,496
Non-Personal Service	2,245	4,635	0	39	6,919
General State Charges	5,425	2,445	0	0	7,870
Debt Service	0	0	0	5,203	5,203
Capital Projects	0	3	7,717	0	7,720
Total Disbursements	59,681	79,262	11,920	5,242	156,105
Other Financing Sources (Uses):					
Transfers from Other Funds	18,411	7,853	4,758	3,262	34,284
Transfers to Other Funds	(12,160)	(2,417)	(1,457)	(18,325)	(34,359)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	6,251	5,436	3,910	(15,063)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,865)	(515)	66	89	(3,225)
Closing Fund Balance	6,069	3,092	(825)	249	8,585

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,311	8,057	1,326	20,840	80,534
Miscellaneous Receipts	2,486	15,797	7,127	465	25,875
Federal Receipts	0	50,567	2,093	73	52,733
Total Receipts	52,797	74,421	10,546	21,378	159,142
Disbursements:					
Local Assistance Grants	49,086	65,568	4,846	0	119,500
Departmental Operations:					
Personal Service	6,097	7,459	0	0	13,556
Non-Personal Service	2,558	4,594	0	49	7,201
General State Charges	5,824	2,522	0	0	8,346
Debt Service	0	0	0	6,257	6,257
Capital Projects	0	2	8,075	0	8,077
Total Disbursements	63,565	80,145	12,921	6,306	162,937
Other Financing Sources (Uses):					
Transfers from Other Funds	18,640	8,044	3,148	3,976	33,808
Transfers to Other Funds	(11,375)	(2,081)	(1,506)	(18,940)	(33,902)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	7,265	5,963	2,370	(14,964)	634
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	0	0
Monetary Settlements	902	0	0	0	902
Programmed	902	0	0	0	902
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	902	0	0	0	902
Adherence to 2% Spending Benchmark*	2,956	0	0	0	2,956
Net Surplus (Deficit)	355	239	(5)	108	697

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,679	8,128	1,322	21,182	81,311
Miscellaneous Receipts	2,455	16,025	6,367	461	25,308
Federal Receipts	0	51,326	2,091	73	53,490
Total Receipts	53,134	75,479	9,780	21,716	160,109
Disbursements:					
Local Assistance Grants	51,650	66,652	4,386	0	122,688
Departmental Operations:					
Personal Service	6,135	7,548	0	0	13,683
Non-Personal Service	2,364	4,639	0	49	7,052
General State Charges	6,033	2,597	0	0	8,630
Debt Service	0	0	0	6,771	6,771
Capital Projects	0	0	7,992	0	7,992
Total Disbursements	66,182	81,436	12,378	6,820	166,816
Other Financing Sources (Uses):					
Transfers from Other Funds	18,378	8,319	3,527	3,821	34,045
Transfers to Other Funds	(12,005)	(2,041)	(1,479)	(18,625)	(34,150)
Bond and Note Proceeds	0	0	531	0	531
Net Other Financing Sources (Uses)	6,373	6,278	2,579	(14,804)	426
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	0	0	1,200
Programmed	1,200	0	0	0	1,200
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	0	1,200
Adherence to 2% Spending Benchmark*	4,634	0	0	0	4,634
Net Surplus (Deficit)	(841)	321	(19)	92	(447)

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	52,943	8,188	1,323	22,011	84,465
Miscellaneous Receipts	2,318	15,867	6,158	459	24,802
Federal Receipts	0	52,292	2,147	73	54,512
Total Receipts	55,261	76,347	9,628	22,543	163,779
Disbursements:					
Local Assistance Grants	54,496	67,662	4,143	0	126,301
Departmental Operations:					
Personal Service	6,189	7,589	0	0	13,778
Non-Personal Service	2,451	4,627	0	49	7,127
General State Charges	6,417	2,648	0	0	9,065
Debt Service	0	0	0	7,232	7,232
Capital Projects	0	0	7,568	0	7,568
Total Disbursements	69,553	82,526	11,711	7,281	171,071
Other Financing Sources (Uses):					
Transfers from Other Funds	18,820	8,520	3,415	3,837	34,592
Transfers to Other Funds	(12,156)	(1,888)	(1,711)	(18,939)	(34,694)
Bond and Note Proceeds	0	0	365	0	365
Net Other Financing Sources (Uses)	6,664	6,632	2,069	(15,102)	263
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	0	0	731
Programmed	731	0	0	0	731
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	0	731
Adherence to 2% Spending Benchmark	6,498	0	0	0	6,498
Net Surplus (Deficit)	(399)	453	(14)	160	200

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2017 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2017
(dollars in millions)

	2016 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,864	7,460	8,186	7,836	7,187	10,815	9,626	7,607	10,722	11,734	11,696	8,934
RECEIPTS:													
Personal Income Tax	4,764	1,778	3,455	1,960	2,286	3,782	1,684	1,947	3,726	3,217	2,605	2,666	33,870
Consumption/Use Taxes	541	528	670	571	544	684	554	555	715	584	468	673	7,087
Business Taxes	158	67	864	96	72	972	88	106	1,159	167	99	1,902	5,750
Other Taxes	74	88	89	88	89	89	89	88	88	88	88	87	1,045
Total Taxes	5,537	2,461	5,078	2,715	2,991	5,527	2,415	2,696	5,688	4,056	3,260	5,328	47,752
Abandoned Property	0	0	0	0	0	20	25	120	25	40	20	275	525
ABC License Fee	5	5	6	6	5	6	6	5	5	5	5	4	63
Investment Income	2	1	1	1	1	1	1	1	1	1	1	(2)	10
Licenses, Fees, etc.	22	45	55	45	55	65	40	50	65	45	60	62	609
Motor Vehicle Fees	17	16	15	16	20	18	15	14	12	13	13	14	183
Reimbursements	8	2	55	10	8	55	3	20	50	14	30	43	298
Other Transactions	32	388	58	31	32	212	33	56	78	56	32	117	1,125
Total Miscellaneous Receipts	86	457	190	109	121	377	123	266	236	174	161	513	2,813
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,587	575	1,291	482	293	1,535	563	373	1,284	506	644	1,766	10,899
Tax in Excess of LGAC	243	71	476	254	210	313	251	251	332	264	3	200	2,868
Sales Tax Bond Fund	193	188	254	201	195	282	192	192	273	205	156	316	2,647
Real Estate Taxes in Excess of CW/CA Debt Service	84	74	69	73	83	89	89	78	81	93	79	59	951
All Other	5	35	1	1	1	54	6	1	1	36	99	806	1,046
Total Transfers from Other Funds	2,112	943	2,091	1,011	782	2,273	1,101	895	1,971	1,104	981	3,147	18,411
TOTAL RECEIPTS	7,735	3,861	7,359	3,835	3,894	8,177	3,639	3,857	7,895	5,334	4,402	8,988	68,976
DISBURSEMENTS:													
School Aid	754	3,140	1,616	127	998	1,208	924	1,702	1,881	814	482	7,455	21,101
Higher Education	19	6	654	249	134	192	350	46	210	40	362	769	3,031
All Other Education	52	182	541	235	39	294	119	30	187	45	105	488	2,317
Medicaid - DOH	1,008	1,088	1,067	774	1,075	577	1,074	1,284	721	959	986	2,070	12,683
Public Health	20	221	59	47	37	45	52	36	70	38	56	63	744
Mental Hygiene	3	1	241	2	2	234	2	1	264	12	53	181	996
Children and Families	27	97	231	97	97	231	97	97	231	97	129	237	1,668
Temporary & Disability Assistance	95	99	157	100	99	99	99	99	99	99	99	108	1,252
Transportation	0	24	10	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	0	0	98	7	0	186	0	0	63	754
All Other	10	(51)	222	41	46	39	(18)	196	185	201	199	235	1,305
Total Local Assistance Grants	1,988	4,818	5,187	1,672	2,551	3,017	2,706	3,515	4,045	2,305	2,484	11,669	45,957
Personal Service	475	465	597	454	465	541	458	595	470	456	454	624	6,054
Non-Personal Service	103	138	147	157	170	201	176	183	185	190	192	403	2,245
Total Departmental Operations	578	603	744	611	635	742	634	778	655	646	646	1,027	8,299
General State Charges	2,440	173	291	385	269	194	455	298	76	456	151	237	5,425
Debt Service	245	0	(3)	153	(3)	(71)	103	0	(2)	330	(20)	(26)	706
Capital Projects	162	293	(1)	602	487	498	179	431	(198)	405	1,013	590	4,461
State Share Medicaid	95	139	101	108	118	115	117	154	118	155	116	101	1,437
SUNY Operations	213	213	213	179	0	0	0	179	0	0	0	(1)	996
Other Purposes	84	1,026	101	475	486	54	634	521	86	25	50	1,018	4,560
Total Transfers to Other Funds	799	1,671	411	1,517	1,088	596	1,033	1,285	4	915	1,159	1,682	12,160
TOTAL DISBURSEMENTS	5,805	7,265	6,633	4,185	4,543	4,549	4,828	5,876	4,780	4,322	4,440	14,615	71,841
Excess/(Deficiency) of Receipts over Disbursements	1,930	(3,404)	726	(350)	(649)	3,628	(1,189)	(2,019)	3,115	1,012	(38)	(5,627)	(2,865)
CLOSING BALANCE	10,864	7,460	8,186	7,836	7,187	10,815	9,626	7,607	10,722	11,734	11,696	6,069	6,069

Source: NYS DOB.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE SALES TAX REVENUE BONDS GENERAL RESOLUTION

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Dormitory Authority of the State of New York State Sales Tax Revenue Bonds General Bond Resolution (the "Resolution"). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. A copy of the General Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chair, the Vice Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director or President, the Deputy Executive Director or Vice President, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the State Sales Tax Revenue Bonds Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the Dormitory Authority of the State of New York State Sales Tax Revenue Bonds General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Acts.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as "State Sales Tax Revenue Bonds" and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be a debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "State Sales Tax Revenue Bonds", shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a "Bond". Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Standard Resolution Provisions into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Standard Resolution Provisions as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Standard Resolution Provisions, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix "Dormitory Authority of the State of New York State Sales Tax Revenue Bonds"

1. Debt Service Fund,
2. Rebate Fund,
3. Bond Proceeds Fund,
4. Administrative Fund,
5. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

Debt Service Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Debt Service Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Debt Service Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Debt Service Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, as set forth and in the amounts needed for the purposes set forth in the following paragraph, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund. The Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

(a) The interest due on all Outstanding Bonds on such Interest Payment Date;

(b) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

(c) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

(d) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

(e) Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 503)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 504)

Bond Proceeds Fund

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer, shall deposit into the Bond Proceeds Fund the proceeds of the sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 69-n through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Debt Service Fund. Notwithstanding the foregoing, to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Debt Service Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund.

(Section 505)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Standard Resolution Provisions, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 506)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses, the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund, plus investment income thereon, exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall promptly direct the Trustee to pay the excess to the Debt Service Fund.

(Section 507)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided*, *however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided*, *however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Debt Service Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund.

(Section 508)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, *provided* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 509)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE SALES TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions as described under "Special Provisions for Additional Bonds" below.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 69-m.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Balloon Indebtedness shall mean any Bonds of a Series described in clause (2)(ii) of the definition of Calculated Debt Service.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions as described under “Bond Anticipation Notes” below.

Bond Counsel shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to (i) Put Bonds and (ii) any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (x) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (y) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

(4) If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(5) With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued or entered into by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that,* unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

(a) The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-F of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 69-o, as amended and supplemented in accordance with the terms thereof and the Resolution and referred to in the Resolution.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Sales Tax Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) notes, bonds, debentures, mortgages, and other evidences of indebtedness, issued or guaranteed at the time of the investment by any United States government sponsored agency, corporation or entity approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency, or the same rating as the United States of America.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to 102% of the investment value based upon daily valuations of the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category for commercial paper (including refinement or gradation of such rating by a numerical modifier or otherwise) by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating

Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of $1.00 per share and that is rated in the highest Rating Category by at least one Rating Agency; and

(m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant to the Resolution, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified in the Resolution as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations constituting State-Supported Debt and previously issued or incurred by a public corporation in the State, and not under this Resolution to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose, but for purposes of refunding Prior Obligations under the Resolution, means any purposes for which State-Supported Debt is or has been issued.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, (i) with respect to any Interest Payment Date that falls on the fifteenth (15th) day of the month, the last day of the calendar month preceding such Interest Payment Date, and (ii) with respect to any Interest Payment Date that falls on any other day of the month, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Resolution.

Redemption Price shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions as described under "Refunding Bonds" below, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury of the United States of America from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Sales Tax Revenue Bond Tax Fund pursuant to Section 92-h and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, (iii) any payments received by the Issuer from the federal government, as a credit or debt service subsidy relating to, or measured by, payments of principal or interest on Bonds, as may be determined, and solely to the extent so provided, by the Issuer pursuant to a Supplemental Resolution to constitute "revenues," and (iv) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Sales Tax Revenue Bond Tax Fund shall mean the fund established by Section 92-h of the State Finance Law.

Section 92-h shall mean section 92-h of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 69-m shall mean section 69-m of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 69-n shall mean section 69-n of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 69-o shall mean section 69-o of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

State Sales Tax Revenue Bonds shall mean any notes, bonds or other obligations issued by an Authorized Issuer pursuant to the Enabling Act.

State-Supported Debt shall mean state-supported debt as defined in Section 67-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time, other than debt for which the full faith and credit of the State is pledged to pay debt service.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds, or Prior Obligations, as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is a date other than as provided in the definition thereof;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to the sum of (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

1. A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Sales Tax Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such fund (a) were not so required to be deposited for all of such 12 calendar months, or (b) were required to be deposited into such fund pursuant to Section 92-h, subdivision 2 but at a lower rate of taxation than in effect on or after the date of issuance of such Series of Additional Bonds pursuant to such Section 92-h, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies as if those amounts were actually collected for such 12 calendar months;

2. (I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) on outstanding State Sales Tax Revenue Bonds or related parity reimbursement obligations issued by all Authorized Issuers pursuant to the Enabling Act, which State Sales Tax Revenue Bonds or parity reimbursement obligations are secured by payments to be made from the Sales Tax Revenue Bond Tax Fund for each State Fiscal Year for which such State Sales Tax Revenue Bonds or parity reimbursement obligations are outstanding; and

3. A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph 1 above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in paragraph 2(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of this section and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund (i) Outstanding Bonds or Parity Reimbursement Obligations and/or (ii) outstanding State Sales Tax Revenue Bonds or related parity reimbursement obligations issued by an Authorized Issuer pursuant to the Enabling Act ((i) and (ii) being collectively referred to herein, as the "Prior State Sales Tax Revenue Obligations") shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Prior State Sales Tax Revenue Obligations to be refunded are to be redeemed, irrevocable instructions from the applicable Authorized Issuer to the trustee for such Prior State Sales Tax Revenue Obligations, satisfactory to it, to give due notice of redemption of all the Prior State Sales Tax Revenue Obligations to be refunded on a redemption date specified in such instructions;

(2) If Prior State Sales Tax Revenue Obligations to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions or in the general resolution pursuant to which such Prior State Sales Tax Revenue Obligations were issued to the holders of the Prior State Sales Tax Revenue Obligations being refunded;

(3) If Prior State Sales Tax Revenue Obligations to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the redemption price on the applicable redemption date of the Prior State Sales Tax Revenue Obligations to be refunded, together with accrued interest on such Prior State Sales Tax Revenue Obligations to the maturity or redemption date, which money shall be held by the trustee for such Prior State Sales Tax Revenue Obligations or any one or more of the applicable paying agents for such Prior State Sales Tax Revenue Obligations in a separate account irrevocably in trust for and assigned to the respective holders of such Prior State Sales Tax Revenue Obligations to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions or the corresponding section or sections of the general resolution pursuant to which such Prior State Sales Tax Revenue Obligations were issued, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either

(i) a certificate of the Director of the Budget (a) setting forth (I) the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Prior State Sales Tax Revenue Obligations to be refunded or purchased) and (II) the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Prior State Sales Tax Revenue Obligations to be refunded but excluding the Refunding Bonds), and (b) stating that the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (a)(I) above is not greater than the greatest amount of calculated debt service on all outstanding State Sales Tax Revenue Bonds and parity reimbursement obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (a)(II) above; or

(ii) the certificates required by the Standard Resolution Provisions as described under "Special Provisions for Additional Bonds" above with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Bonds then proposed to be issued will be Outstanding but the Prior State Sales Tax Revenue Obligations to be refunded will no longer be outstanding under the general resolution pursuant to which such Prior State Sales Tax Revenue Obligations were issued.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations that are not Prior State Sales Tax Revenue Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions as described under "Special Provisions for Additional Bonds" above; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, as described under "Powers of Amendment" and "Modifications by Unanimous Consent" below, and following a default as described under "Events of Default" and "Remedies" below, except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

Except as otherwise provided by Supplemental Resolution:

1. In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected, and, if any maturity shall include Bonds bearing different interest rates and all Bonds of such maturity are not being redeemed, the interest rate of the Bonds so elected. The Series designation, maturities, interest rates and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

2. Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

3. In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select

by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in this paragraph) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Sections A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Resolution, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligations, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Sales Tax Revenue Bond Tax Fund pursuant to Section 92-h, nor to maintain such taxes or the sources of any other funds at any minimum level, nor to refrain from amending, repealing, modifying or otherwise altering statutes imposing or relating to such taxes, and moneys in the Sales Tax

Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-h with respect to moneys on deposit in the Sales Tax Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Resolution may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign.

The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions as described under "Certificate of the Director of the Budget" below at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-h and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Sales Tax Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Sales Tax Revenue Bond Tax Fund in accordance with Section 92-h, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Sales Tax Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Sales Tax Revenue Bond Tax Fund and (ii) the monthly amounts provided for in paragraph (a) above required to be deposited to the Sales Tax Revenue Bond Tax Fund in such month is equal to one fifth of the interest due on such obligations on the next succeeding Interest Payment Date multiplied by the number of months from the last such payment and one eleventh of the next Principal Installment due on such obligations multiplied by the number of months from the last such Principal Installment where principal is due on an annual basis or one fifth of the next Principal Installment due on such obligations multiplied by the number of months from the last such Principal Installment where principal is due on a semiannual basis. For the purpose of meeting the Issuer's cash requirements that are due on a monthly basis or more frequently, the Comptroller shall set aside all amounts in the Sales Tax Revenue Bond Tax Fund until the amount so set aside is, in the reasonable judgment of the Director of the Budget as set forth in such certificate, sufficient to make the required payment on or before such payment date. The foregoing set asides are intended to satisfy the monthly cash requirements, as required by paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-h less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-h.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-h. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under this section, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligations, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of this section.

The agreement of the State under Section 69-o shall be deemed executory only to the extent of appropriations available for payments under Section 69-o and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions as described under "Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations" above) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 69-o providing for the specific manner, timing and amount of payments to be made under Section 69-o and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Section 1105 and Section 1110 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of this section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of this section, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 69-o, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with either of paragraphs (a) or (b) below. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of this section.)

(a) Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Sales Tax Revenue Bond Tax Fund to be sources of payment or

security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-h and paragraph (a) of subdivision 5 of Section 92-h may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-h are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions described under "Adoption and Filing" through "Notation on Bonds" below, and shall include events of default to the effect of those contained in the Standard Resolution described in paragraphs (a), (f) and (g) under "Events of Default" below Provisions and shall grant the remedies contained in the Standard Resolution Provisions described under "Remedies" below, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions described under "Defeasance" below; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions described in the first paragraph under "Agreement with the State" above; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of this section and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this paragraph (a) (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as provided in this paragraph).

(b) Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided below by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this paragraph (b) (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as provided in this paragraph). No such assumption, extinguishment and substitution pursuant to this paragraph shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this paragraph is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as provided in this paragraph) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as provided in this paragraph). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this paragraph to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

(c) Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Sales Tax Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any

Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of the Resolution, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer’s obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days’ written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then

Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

2. To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

3. To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

5. To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

6. To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

7. To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

8. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

9. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

10. To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

11. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

12. To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

13. To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

14. Notwithstanding the Resolution, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

15. To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

16. Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

17. To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

18. To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under clause (18) above, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the

Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the Standard Resolution Provisions as described under "Further Assurances" above or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions described under "Adoption and Filing," "Supplemental Resolutions Effective Upon Adoption" and "Supplemental Resolutions Effective with Consent of Trustee" above may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in such Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of the Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Resolution.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Resolution and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Resolution or the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions described under “Consent of Bondholders” below, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel’s Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in this section or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the Standard Resolution Provisions described under “Powers of Amendment” above, to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding

Bonds specified in the Standard Resolution Provisions described under "Powers of Amendment" above, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in this section is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as provided in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the Holders of the Bonds of a Series, shall be deemed to have irrevocably consented to a modification or amendment permitted by the Standard Resolution Provisions described under "Powers of Amendment" above and under "Modifications by Unanimous Consent" below; where the Supplemental Resolution authorizing such Bonds of a Series sets forth the terms of such modification or amendment; and where the terms of the modification or amendment shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions described under "Powers of Amendment," "Consent of Bondholders" and "Modifications by Unanimous Consent" above, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under such Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions described under "Adoption and Filing" through "Exclusion of Bonds" above may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 69-n, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-h and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 69-o in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-h, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-h, in connection with financings for any Authorized Purpose authorized by Section 69-n, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 69-n; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 69-o or Section 92-h, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 69-n; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in this section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 69-o to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Sales Tax Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in paragraph (a) under "Events of Default" above, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 69-n as in effect on the date of adoption of the Resolution are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the above-described powers granted in the Resolution, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions described under "Extension of Payment of Bonds" above. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the

Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

> FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and
>
> SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the Standard Resolution Provisions described under “Extension of Payment of Bonds” above.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement

Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment over to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with this section in the manner provided in the Standard Resolution Provisions. Neither Government Obligations nor moneys deposited pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; *provided, however, that* any money on deposit with the Trustee, (i) to the extent such money will not be required at any time for such purpose, shall be paid over to the Issuer as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Resolution, and (ii) to the extent such money will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient, together with any money available to the Trustee for such purpose, to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Notwithstanding any other provision hereof, the Issuer may at the time of defeasance elect to retain the right to redeem or require the tender of any obligations deemed paid pursuant to this paragraph. The Trustee shall, at the direction of the Issuer, select the Bonds or portions thereof that are deemed to have been paid in advance of the redemption of such Bonds. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes of the Resolution such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the provisions of the Resolution.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Resolution or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions described under "Adoption and Filing" through "Notation on Bonds" above. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

APPENDIX C

FORM OF FINANCING AGREEMENT

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FORM OF
FINANCING AGREEMENT

STATE SALES TAX REVENUE BONDS FINANCING AGREEMENT (the "Financing Agreement"), dated as of October 1, 2013, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-F of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Sales Tax Revenue Bonds General Bond Resolution on September 11, 2013 (including Annex A thereto), and one or more Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Sales Tax Revenue Bonds, secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, other than with respect to Balloon Indebtedness or Variable Interest Rate Bonds, the aggregate amount of principal, Principal Installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall be as nearly equal as practicable taking into account the probable life of projects being financed.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Sales Tax Revenue Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement, or other applicable disclosure, and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Sales Tax Revenue Bond Tax Fund and other sources authorized under Section 69-n, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 69-o and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Sales Tax Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Sinking Fund Installments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution have been paid at maturity or the Debt Service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including Debt Service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefor and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the constitutional and statutory audit powers granted the State or any officer thereof, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four

State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any supplemental agreement entered into pursuant to this Section 5.3 in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interests of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations, (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, the interests of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing

Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Sales Tax Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefor or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

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

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:

Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

If to the Issuer:

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

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

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

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

State of New York

____

Director of the Budget

Dormitory Authority of the State of New York

____

Authorized Officer

Approval as to form:
Attorney General

By: ____________________________________

Date:_____________________

Approved:

By:_____________________________________

State Comptroller

Date: ________________________

Supplemental Schedule ___ to
Dormitory Authority of the State of New York
State Sales Tax Revenue Bonds Financing Agreement
dated October 1, 2013 (the "Financing Agreement")

Pursuant to Section 1.5 of the Financing Agreement, the following Bonds are hereby made subject to the Financing Agreement for all purposes, including, but not limited to, debt service and related payments on the Bonds.

$_______________
Dormitory Authority of the State of New York
State Sales Tax Revenue Bonds
Series ____

Dated: ___________________

Approved:	Certified:
Dormitory Authority of the State of New York	State of New York
By: ___________________________________ Authorized Officer	By: ___________________________________ Director of the Budget, State of New York

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINION

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APPENDIX D

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2016A BONDS

Upon delivery of the Series 2016A Bonds, Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
28 LIBERTY STREET
NEW YORK, NEW YORK 10005

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

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State"), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the "Dormitory Authority Act"), have examined a record of proceedings relating to the issuance of the Authority's $1,089,370,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2016A (the "Series 2016A Bonds").

The Series 2016A Bonds are issued under and pursuant to the Dormitory Authority Act, Sections 56 through 59, inclusive, of Part HH of Chapter 57 of the Laws of New York of 2013 (the "Enabling Act"), and the State Sales Tax Revenue Bonds General Bond Resolution adopted by the Authority on September 11, 2013 (the "Bond Resolution"), as supplemented by Supplemental Resolution 2016-1 Authorizing State Sales Tax Revenue Bonds adopted by the Authority on July 20, 2016 (the "Series 2016A Supplemental Resolution"). The Bond Resolution and the Series 2016A Supplemental Resolution are herein collectively referred to as the "Resolutions". Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions. The Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution. Under and subject to the terms of the Bond Resolution, the Series 2016A Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, all State Sales Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund established by Section 92-h of the New York State Finance Law (the "Sales Tax Bond Fund"), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2016A Bonds have or will have a lien on the monies on deposit in the Sales Tax Bond Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Sections 1105 and 1110 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Dormitory Authority Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2016A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2016A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2016A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2016A Bonds.

5. The Financing Agreement dated as of October 1, 2013, between the Authority and the Director of the Budget of the State of New York (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2016A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2016A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the New York State Department of Transportation (“DOT”), the New York State Education Department (“SED”), the New York State Office of Court Administration (“OCA”) and others, and we have assumed compliance by the Authority, DOT, SED and OCA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code.

7. Under existing statutes, interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

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

Series 2016A Bonds, or the exemption from personal income taxes of interest on the Series 2016A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2016A Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2016A Bond and, in our opinion, the form of said Bonds and its execution is regular and proper.

Very truly yours,

FORM OF APPROVING OPINION OF BRYANT RABBINO LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2016A BONDS

Upon delivery of the Series 2016A Bonds, Bryant Rabbino LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

BRYANT RABBINO LLP
1180 AVENUE OF THE AMERICAS, SUITE 610
NEW YORK, NEW YORK 10036

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

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”), in connection with the issuance of $1,089,370,000 aggregate principal amount of State Sales Tax Revenue Bonds, Series 2016A (the “Series 2016A Bonds”) In such capacity, we have examined such laws and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

The Series 2016A Bonds are authorized to be issued in accordance with and pursuant to the Constitution and the laws of the State including the Dormitory Authority Act, Sections 56 through 59, inclusive, of Part HH of Chapter 57 of the Laws of New York of 2013 (the “Enabling Act”), and the State Sales Tax Revenue Bonds General Bond Resolution adopted by the Authority on September 11, 2013 (the “Bond Resolution”), as supplemented by Supplemental Resolution 2016-1 Authorizing State Sales Tax Revenue Bonds adopted by the Authority on July 20, 2016 (the “Series 2016A Supplemental Resolution”). The Bond Resolution and the Series 2016A Supplemental Resolution are herein collectively referred to as the “Resolutions”. Unless otherwise stated, capitalized terms not defined herein shall have the meanings ascribed thereto in the Resolutions.

Pursuant to the Bond Resolution, (i) the Authority has reserved the right to issue additional Bonds on the terms and conditions and for the purposes stated in the Bond Resolution, and (ii) the Series 2016A Bonds and all Bonds heretofore and hereafter issued under the Bond Resolution rank and will rank equally as to security and payment. In addition, pursuant to the Enabling Act, all State Sales Tax Revenue Bonds issued under the Enabling Act by Authorized Issuers (as defined in the Enabling Act) for Authorized Purposes (as defined in the Enabling Act) are on a parity with each other as to payments from the Sales Tax Revenue Bond Tax Fund established by Section 92-h of the New York State Finance Law (the “Sales Tax Bond Fund”), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2016A Bonds have or will have a lien on the monies on deposit in the Sales Tax Bond Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Sections 1105 and 1110 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the Dormitory Authority Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2016A Bonds have been duly and validly authorized and issued by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Resolutions.

4. The Series 2016A Bonds are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2016A Bonds be payable out of funds of the Authority other than those pledged for the payment of the Series 2016A Bonds.

5. The Financing Agreement dated as of October 1, 2013, between the Authority and the Director of the Budget of the State of New York (the "Financing Agreement"), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Series 2016A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2016A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, the Authority, the New York State Department of Transportation ("DOT"), the New York State Education Department ("SED"), the New York State Office of Court Administration ("OCA") and others, and we have assumed compliance by the Authority, DOT, SED and OCA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016A Bonds from gross income under Section 103 of the Code.

7. Under existing statutes, interest on the Series 2016A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

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

Series 2016A Bonds, or the exemption from personal income taxes of interest on the Series 2016A Bonds under state and local tax law.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2016A Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2016A Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

Very truly yours,

APPENDIX E

FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT

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APPENDIX E

FORM OF MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of October 1, 2013 (the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction. (i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

"Annual Information" shall mean the information specified in Section 3.

"Authorized Issuer" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Thruway Authority and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"Authorizing Document" shall mean the applicable Authorized Issuer's State Sales Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"Bonds" shall mean all of the State Sales Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"Comptroller" shall mean the Comptroller of the State of New York.

"Director" shall mean the Director of the Budget of the State of New York.

"DOB" shall mean the Division of the Budget of the State of New York.

"EMMA" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"Enabling Act" shall mean Article 5-F of the New York State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

"GAAP" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"GAAS" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"Holder" or *"Bondholder"* shall mean a registered owner of any Bond or Bonds.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"State" shall mean the State of New York, acting by and through the Director or the Comptroller.

"Trustee" shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

"Underwriters" shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2014, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2014, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination

of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an "obligated person", obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Section 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 — "SECURITY AND SOURCES OF PAYMENT FOR STATE SALES TAX REVENUE BONDS", and "PART 4 — SOURCES OF NEW YORK STATE SALES TAX RECEIPTS FOR THE SALES TAX REVENUE BOND TAX FUND"* which shall include information relating to the following:

(1) a description of the sales tax imposed by Section 1105 and Section 1110 of the New York State Tax Law, which shall include a description of the tax rates, the tax base and the components of the State sales tax (unless the sales tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Sales Tax Receipts, and deposits to the Sales Tax Revenue Bond Tax Fund, or the historical equivalent, for a period of at least the five most recent completed State fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities"*, including, more specifically, information consisting of:

(1) *for prior fiscal years,* an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then currently available;

(2) *for debt and other financing activities,* a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities,* information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder, under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1101(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7 Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Documents with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

SECTION 12. Effective Date.

This Agreement shall become effective with respect to the State, the Dormitory Authority of the State of New York and The Bank of New York Mellon, as trustee under the Authority's Authorizing Document, as of October 1, 2013, but as to each other party hereto, this Agreement shall not become effective as to such party until the date of such party's execution of this Agreement by its duly authorized officer.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Master Continuing Disclosure Agreement as of the respective dates set forth below.

AUTHORIZED ISSUERS:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: ____________________________
Name:
Title:
Date:

NEW YORK STATE THRUWAY AUTHORITY

By: ____________________________________
Name:
Title:
Date:

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development Corporation

By: ____________________________________
Name:
Title:
Date:

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

THE STATE OF NEW YORK
Obligated Person

By Thomas P. DiNapoli, Comptroller

By: ______________________________
Name:
Title:
Date:

By Robert L. Megna, Director of the Budget

By: _______________________________
Name:
Title:
Date:

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

TRUSTEES:

THE BANK OF NEW YORK MELLON,
as Trustee for the benefit of Dormitory Authority of the State of New York Bondholders

By: ___________________________________
Authorized Signatory

Date: __________________

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

____

as Trustee for the benefit of New York State Thruway Authority Bondholders

By: ______________________________________

Authorized Signatory

Date: ____________________

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

____
as Trustee for the benefit of New York State Urban Development Corporation Bondholders

By: ________________________________
Authorized Signatory

Date: __________________

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

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • STATE SALES TAX REVENUE BONDS, SERIES 2016A

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