

DASNY**\$3,382,200,000**

**DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX SUBORDINATE
REVENUE ANTICIPATION NOTES (GENERAL PURPOSE)
SERIES 2020B**

Dated: Date of Delivery**Due: March 31, 2021**

The Dormitory Authority of the State of New York State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose) Series 2020B (the "Series 2020B Notes"), are special obligations of the Dormitory Authority of the State of New York ("DASNY"). The Series 2020B Notes are being issued pursuant to DASNY's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted April 29, 2009 (the "General Resolution"), DASNY's Subordinate Supplemental Resolution, adopted April 8, 2020, supplementing the General Resolution to provide for the issuance of subordinated indebtedness (the "Subordinate Supplemental Resolution") and DASNY's Subordinate Supplemental Resolution No. 1, adopted April 8, 2020 authorizing State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose) ("Supplemental Resolution No. 1"). The Series 2020B Notes, together with all other bonds, notes and other obligations issued and to be issued under the Subordinate Supplemental Resolution (collectively, the "Subordinate Obligations"), are secured by a pledge of that portion of certain payments (the "Financing Agreement Payments") to be made to U.S. Bank National Association, as trustee under the General Resolution and the Subordinate Supplemental Resolution (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"), which are available for the payment of Subordinate Obligations ("Subordinated Financing Agreement Payments"). The pledge made in the Subordinate Supplemental Resolution securing the Subordinate Obligations, including the Series 2020B Notes, is subject to and subordinate to the pledge and lien made in the General Resolution securing obligations issued pursuant to the General Resolution other than the Subordinate Obligations (the "Senior Obligations").

Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of all State Personal Income Tax Revenue Obligations (as defined below), including all Senior Obligations and Subordinate Obligations, provided that the application of Financing Agreement Payments to payment of Subordinate Obligations, including the Series 2020B Notes, is subject to and subordinate to payment of the Senior Obligations. The Revenue Bond Tax Fund receives a statutory allocation of 50 percent of State personal income tax receipts imposed by Article 22 of the New York State Tax Law (the "New York State Personal Income Tax Receipts"), and 50 percent of Employer Compensation Expense Program Receipts imposed by Article 24 of the New York State Tax Law (the "New York State ECEP Receipts"). See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program." For information related to the State and COVID-19, a respiratory disease caused by a new strain of coronavirus, see "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND—Impact of COVID-19 on the Personal Income Tax and Employer Compensation Expense Program," and "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK—Financial Plan Overview—Executive Summary."

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

The Series 2020B Notes shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2020B Notes 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 2020B Notes. DASNY has no taxing power.

The Series 2020B Notes will be issued as fully registered obligations, in denominations of \$5,000 or any integral multiple thereof. The Series 2020B Notes will mature as stated above with interest payable at maturity at the annual rate shown on the inside cover page, calculated on the basis of a 30-day month, 360 day year. The Series 2020B Notes are not subject to redemption prior to maturity.

The Series 2020B Notes will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Noteholder and nominee of The Depository Trust Company, New York, New York ("DTC"). See "PART 7—BOOK-ENTRY ONLY SYSTEM" herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2020B Notes, payments of principal or redemption price of and interest on the Series 2020B Notes will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co.

In the opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2020B Notes 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 2020B Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, Hawkins Delafield & Wood LLP is of the opinion that under existing statutes, interest on the Series 2020B Notes 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 2020B Notes are offered, when, as and if issued and delivered to the Underwriters (as defined herein), and are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Golden Holley James LLP, New York, New York, co-bond counsel to DASNY (collectively, "Co-Bond Counsel"), and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York. It is expected that the Series 2020B Notes will be delivered in definitive form through the facilities of DTC on or about June 18, 2020.

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Academy Securities, Inc.
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Bancroft Capital, LLC
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\$3,382,200,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX SUBORDINATE
REVENUE ANTICIPATION NOTES (GENERAL PURPOSE)
SERIES 2020B

Interest Rate: 5.000% Priced To Yield: 0.550% CUSIP No. 64990FXG4*
Due: March 31, 2021

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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 2020B Notes by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The Underwriters have provided the following sentence for inclusion in this Official Statement.

The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information set forth herein has been provided by DASNY, the State and other sources which are believed to be reliable by DASNY and with respect to the information supplied or authorized by the State and information provided by such other sources, is not to be construed as a representation by DASNY. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of DASNY or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020B NOTES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES 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 2020B Notes 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 Personal Income Tax Revenue Bond Financing Program	<p>Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), provides for the issuance of, and a source of payment for, the revenue bonds, notes and other obligations issued pursuant thereto (collectively, the “State Personal Income Tax Revenue Obligations”) by establishing the Revenue Bond Tax Fund (the “Revenue Bond Tax Fund”) held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the “Commissioner”) and the Comptroller of the State (the “State Comptroller”).</p> <p>The Enabling Act authorizes the Dormitory Authority of the State of New York (“DASNY”), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority (the “Thruway Authority”) and the New York State Urban Development Corporation, doing business as Empire State Development (“ESD” and collectively, the “Authorized Issuers”) to issue State Personal Income Tax Revenue Obligations for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget (the “Director of the Budget”) pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Obligations issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including DASNY.</p> <p>Each general resolution establishes a subordinated payment fund, which is to be funded by that portion of the applicable financing agreement payments that are available to be transferred from time to time to the subordinated payment fund, and provides for the authorization by supplemental resolution and issuance of subordinated indebtedness thereunder, secured by a subordinate pledge of financing agreement payments and various funds and accounts established by such supplemental resolution. The Subordinate Supplemental Resolution is currently the only resolution adopted by an Authorized Issuer to provide for the issuance of subordinated indebtedness. For purposes of this Official Statement, the term “State Personal Income Tax Subordinate Revenue Obligations” means obligations payable from the subordinated payment fund under any general resolution of an Authorized Issuer, and the term “State Personal Income Tax Senior Revenue Obligations” means State Personal Income Tax Revenue Obligations issued under any general resolution by an Authorized Issuer, other than State Personal Income Tax Subordinate Revenue Obligations. In addition, the term “Subordinate Obligations” means bonds, notes or other obligations issued by DASNY pursuant to the Subordinate Supplemental Resolution, and the term “Senior Obligations” means bonds, notes or other obligations issued by DASNY under the General Resolution, other than Subordinate Obligations.</p>
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<p>State Personal Income Tax Revenue Bond Financing Program</p>	<p>Part JJ of Chapter 56 of the Laws of the State of 2020 (the “2020 Act”) authorizes the issuance on or before December 31, 2020 by DASNY and ESD of certain tax revenue anticipation notes or bond anticipation notes under the Enabling Act in an aggregate principal amount not to exceed \$8 billion (excluding amounts issued to finance any debt service reserve funds, to pay costs of issuance of such notes and any renewal notes issued to refund such notes), for the purpose of temporarily financing the budgetary needs of the State following deferral of the federal income tax payment deadline from April 15, 2020 to a later date in order to provide temporary relief to individuals as a result of the COVID-19 pandemic. (For information related to COVID-19, a respiratory disease caused by a new strain of coronavirus, and its economic impact on the State see “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND—Impact of COVID-19 on the Personal Income Tax and Employer Compensation Expense Program,” and “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK—Financial Plan Overview—Executive Summary.”) Such purpose has been deemed by the 2020 Act as an Authorized Purpose for which State Personal Income Tax Revenue Obligations may be issued under the Enabling Act. Pursuant to the 2020 Act, the notes must mature on or before March 31, 2021 but may be renewed or refunded for an additional period of one-year from the date of renewal or refunding. Upon a determination of the Director of the Budget, the notes, renewal notes or refunding notes may be refunded on a long-term basis with proceeds of either State Personal Income Tax Senior Revenue Obligations or State Personal Income Tax Subordinate Revenue Obligations in a principal amount not to exceed the principal amount of the notes, renewal notes or refunding notes being refunded.</p> <p>State Personal Income Tax Revenue Obligations issued by an Authorized Issuer are secured solely by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolutions.</p>
<p>Purpose of Issue</p>	<p>The Series 2020B Notes are being issued for the purpose of financing budgetary needs of the State following deferral by the federal government of the federal income tax payment deadline from April 15, 2020 to a later date in the calendar year. In addition, proceeds of the Series 2020B Notes may be used to pay all or a portion of the cost of issuance of the Series 2020B Notes. For a more complete description of the expected application of proceeds of the Series 2020B Notes, see “PART 6—APPLICATION OF PROCEEDS OF THE SERIES 2020B NOTES.”</p>
<p>Sources of Payment and Security for State Personal Income Tax Revenue Obligations— Revenue Bond Tax Fund Receipts</p>	<p>Effective April 1, 2018, pursuant to legislative changes, the sources of security and the statutory allocation of tax revenues payable to the Revenue Bond Tax Fund (from which financing agreement payments are made on all State Personal Income Tax Revenue Obligations) were changed to (i) increase the percentage of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the “New York State Personal Income Tax Receipts”) to 50 percent from 25 percent, and (ii) add, as a new security source, 50 percent of the receipts from the New York State Employer Compensation Expense Program (the “ECEP”), which, under current law, exclude refunds owed to employers (the “New York State ECEP Receipts”). These changes were made to offset the potential reduction in the level of New York State Personal Income Tax Receipts resulting from activity of the ECEP and Charitable Gifts Trust Fund, as discussed below, and to hold harmless the State Personal Income Tax Revenue Bond Program.</p>

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

(continued)

The ECEP establishes an optional tax on payroll expenses that employers can elect to pay if they have employees that earn over \$40,000 annually in New York State. Accompanying legislation created a new Personal Income Tax credit for employees whose wages are subject to the ECEP tax. New York State ECEP Receipts collected from participating employers are expected to be offset by a comparable decrease in New York State Personal Income Tax Receipts, because the statutory formula used to calculate the Personal Income Tax credit corresponds in value to the ECEP. In addition, a Charitable Gifts Trust Fund was created to accept gifts for the purposes of improving health care and education in New York State, and to provide such taxpayers who itemize deductions the ability to claim a charitable gifts deduction on their Federal income tax returns. Both the ECEP and the Charitable Gifts Trust Fund were created to mitigate the adverse impact on New York State taxpayers of the \$10,000 limitation on the Federal income tax deduction for state and local taxes contained in the Tax Cuts and Jobs Act of 2017 (the “TCJA”). See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program.”

The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the “Withholding Component”) until an amount equal to 50 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund. The State Comptroller is also required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts from the ECEP until 50 percent of the estimated monthly New York State ECEP Receipts have been deposited into the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts and such New York State ECEP Receipts are sometimes collectively referred to herein as the “Revenue Bond Tax Fund Receipts.”

COVID-19, a respiratory disease caused by a new strain of coronavirus, is estimated to have a significant negative impact on New York State Personal Income Tax Receipts. The Executive Budget Amendment forecast has been revised sharply downward in the FY 2021 Enacted Budget Financial Plan. Personal income taxes are reduced significantly in FY 2021 with an estimated loss of nearly \$8 billion and a projected \$11 billion annual decline across the financial plan period through FY 2024, compared to the Executive Budget Amendments forecast. These downward adjustments are reflected in both lower withholding due to increased unemployment and wage losses and reduced estimated and final tax payments mainly associated with the decline in self-employment and other nonwage incomes. The COVID-19 related negative impact on wages will also result in lower revenues from the ECEP, although to a lesser extent because the tax is estimated to generate less than \$10 million annually over the Financial Plan period. There can be no assurance that the adverse impacts of the COVID-19 pandemic on the amounts of New York State Personal Income Tax Receipts will not be more severe or sustained than projected above or as projected in the FY 2021 Enacted Budget Financial Plan forecast described in this Official Statement and in “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

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

New York State Personal Income Tax Receipts, New York State ECEP Receipts, and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2018-19 through 2020-21 are as follows (dollars in millions):

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>New York State ECEP Receipts</u>	<u>Revenue Bond Tax Fund Receipts</u>
2018-19	\$48,087	**	\$24,044
2019-20	\$53,659	\$2	\$26,831
2020-21*	\$49,046	\$3	\$24,524

(continued)

* As estimated in the FY 2021 Enacted Budget Financial Plan.

** New York State ECEP Receipts collected in FY 2019 totaled \$52,664.

The Series 2020B Notes are special obligations of DASNY, being secured by a pledge of Subordinated Financing Agreement Payments to be made by the State Comptroller to the senior Trustee on behalf of DASNY that are transferred to the subordinate Trustee and certain funds held by the subordinate Trustee under DASNY’s Subordinate Supplemental Resolution.

The Series 2020B Notes are the second series of Subordinate Obligations to be issued under the Subordinate Supplemental Resolution and the second series of notes issued pursuant to the 2020 Act for the purpose of financing budgetary needs of the State following the deferral by the federal government of the federal income tax payment deadline from April 15, 2020 to a later date in the calendar year in order to provide temporary relief to individuals as a result of the COVID-19 pandemic. On May 22, 2020, DASNY issued its State Personal Income Subordinate Tax Revenue Anticipation Notes (General Purpose), Series 2020A in the principal amount of \$1,000,000,000 and maturing on December 15, 2020 (the “Series 2020A Notes”). Although the 2020 Act limits the amount of State Personal Income Tax Subordinate Obligations that may be issued to temporarily finance budgetary needs of the State to \$8 billion, additional State Personal Income Tax Subordinate Revenue Obligations may be issued by DASNY and other Authorized Issuers in an unlimited amount on a parity with the Series 2020A Notes and the Series 2020B Notes. As of the date of this Official Statement, DASNY is the only Authorized Issuer to have adopted a supplemental resolution to provide for the issuance of State Personal Income Tax Subordinate Revenue Obligations.

All State Personal Income Tax Senior Revenue Obligations (of which \$37.1 billion were outstanding as of May 31, 2020) are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. Payment of Personal Income Tax Subordinate Revenue Obligations (of which \$1.0 billion were outstanding as of May 31, 2020) is subject to and subordinate to the payment of State Personal Income Tax Senior Revenue Obligations.

Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Senior Revenue Obligations and State Personal Income Tax Subordinate Revenue Obligations. **All payments required by financing**

<p>Sources of Payment and Security for State Personal Income Tax Revenue Obligations— Revenue Bond Tax Fund Receipts</p> <p><i>(continued)</i></p>	<p>agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.</p> <p>The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Obligations) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax or the New York State ECEP. For additional information, see “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND.”</p> <p>The Series 2020B Notes shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2020B Notes be payable out of any funds other than those of DASNY pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, the premium, if any, or interest on the Series 2020B Notes. DASNY has no taxing power.</p> <p>The Series 2020B Notes 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 2020B Notes.</p>
<p>Set-Aside for Purpose of Making Financing Agreement Payments</p>	<p>The Enabling Act, general resolutions, subordinate supplemental resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature.</p> <p>The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and an amount equal to not less than one hundred twenty-five percent (125%) of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2020-21 and such certificate includes a set-aside amount for payment of the Series 2020B Notes.</p> <p>See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS.”</p>

<p>Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts</p>	<p>If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Senior Revenue Obligations and all State Personal Income Tax Subordinate Revenue Obligations, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund of the State (the “General Fund”) to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.</p>
<p>Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts</p>	<p>In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on all State Personal Income Tax Revenue Obligations or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Obligations, the Enabling Act requires that all of the New York State Personal Income Tax Receipts from the Withholding Component and New York State ECEP Receipts shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 40 percent of the aggregate of the annual New York State Personal Income Tax Receipts and the annual New York State ECEP Receipts or twelve billion dollars (\$12,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including DASNY.</p> <p>After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are to be paid over and distributed to the credit of the General Fund. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Moneys Held in the Revenue Bond Tax Fund.”</p>
<p>Additional Bonds and Debt Service Coverage</p>	<p>Each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Obligations subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for particular Authorized Purposes. In addition, State Personal Income Tax Senior Revenue Obligations are subject to the additional bonds test described below and included in each general resolution authorizing State Personal Income Tax Senior Revenue Obligations.</p> <p>Additional State Personal Income Tax Senior Revenue Obligations may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Senior Revenue Obligations, the additional State Personal Income Tax Senior Revenue Obligations proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations.</p> <p>In accordance with the additional bonds debt service coverage test described above, Revenue Bond Tax Fund Receipts of approximately \$26.8 billion are available to pay financing agreement payments on a pro forma basis. Assuming the issuance of approximately \$1.8 billion, as currently estimated, of State Personal Income Tax Senior Revenue Obligations expected to be issued contemporaneously by ESD (the “ESD Bonds”), this amount represents approximately 6.7 times the maximum annual debt service for all outstanding</p>

<p>Additional Bonds and Debt Service Coverage</p> <p><i>(continued)</i></p>	<p>State Personal Income Tax Senior Revenue Obligations, including projected debt service on the ESD Bonds, and approximately 3.1 times the maximum annual debt service for all outstanding State Personal Income Tax Senior Revenue Obligations together with debt service on the Series 2020A Notes and debt service on the Series 2020B Notes.</p> <p>Additional Subordinate Obligations may be issued under the Subordinate Supplemental Resolution without meeting any additional bond test, including the additional bond test for Senior Obligations described above. After the issuance of the Series 2020B Notes, the remaining principal amount of new money notes that may be issued under the 2020 Act is \$3.5 billion. As of the date of this Official Statement, DASNY is the only Authorized Issuer that has adopted a resolution authorizing the issuance of State Personal Income Tax Subordinate Revenue Obligations.</p> <p>New York State ECEP Receipts collected from participating employers are expected to be offset by a comparable decrease in New York State Personal Income Tax receipts, because employees whose wages are subject to the ECEP may claim a Personal Income Tax credit calculated using a statutory formula that corresponds in value to the ECEP. As a result, the ECEP is not expected to adversely impact debt service coverage on State Personal Income Tax Revenue Obligations. However, debt service coverage on State Personal Income Tax Revenue Obligations could be adversely impacted to the extent that New York State taxpayers make donations to the Charitable Gifts Trust Fund. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program.” While additional State Personal Income Tax Senior Revenue Obligations are expected to continue to be issued by Authorized Issuers for Authorized Purposes as noted herein, in no event may any additional State Personal Income Tax Senior Revenue Obligations (other than certain refunding bonds and Subordinated Indebtedness) be issued unless the additional bonds test under the respective general resolution has been satisfied. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Additional Bonds” and “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND—Debt Service Coverage.”</p> <p>As of May 31, 2020, approximately \$37.1 billion of State Personal Income Tax Senior Revenue Obligations and \$1.0 billion of State Personal Income Tax Subordinate Revenue Obligations were outstanding.</p>
<p>Appropriation by State Legislature</p>	<p>The State Legislature is expected to make appropriations annually from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. Such an appropriation, including an appropriation with respect to the Series 2020B Notes, has been made for State Fiscal Year 2020-21.</p> <p>Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for State general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation bonds. In the event that such revenues and other amounts in the General Fund are insufficient to pay State general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund as well as other funds to pay debt service on State general obligation bonds.</p>

<p>Appropriation by State Legislature <i>(continued)</i></p>	<p>The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on State general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets.</p>
<p>Continuing Disclosure</p>	<p>In order to assist the Underwriters of the Series 2020B Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”), all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See “PART 18—CONTINUING DISCLOSURE” and “APPENDIX F—EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT.”</p>



DORMITORY AUTHORITY – STATE OF NEW YORK
REUBEN R. McDANIEL, III – PRESIDENT

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

OFFICIAL STATEMENT

Relating to

\$3,382,200,000

DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE SUBORDINATE PERSONAL INCOME TAX
REVENUE ANTICIPATION NOTES
(GENERAL PURPOSE), SERIES 2020B NOTES

PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, the Summary Statement and appendices, is to set forth certain information concerning the State of New York (the “State”) and the Dormitory Authority of the State of New York (“DASNY”), a public benefit corporation of the State, in connection with the offering by DASNY of its \$3,382,200,000 State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose), Series 2020B Notes (the “Series 2020B Notes”). The interest rate, maturity date principal amount and price or yield of the Series 2020B Notes 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 by Authorized Issuers (as hereinafter defined) pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the “Enabling Act”), of State Personal Income Tax Revenue Obligations (as hereinafter defined). This Official Statement also summarizes the statutory allocation of 50 percent of the receipts from the New York State Personal Income Tax (the “New York State Personal Income Tax Receipts”) imposed by Article 22 of the New York State Tax Law (“Tax Law”) which, pursuant to Section 171-a of the Tax Law, are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Obligations. Under current law, such New York State Personal Income Tax Receipts exclude refunds owed to taxpayers. In addition, 50 percent of the receipts from the New York State Employer Compensation Expense Program (the “New York State ECEP Receipts”) imposed by Article 24 of the Tax Law are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of revenue bonds, notes and other obligations issued pursuant to the Enabling Act (collectively, the “State Personal Income Tax Revenue Obligations”), including the Series 2020B Notes. Under current law, such New York State ECEP Receipts exclude refunds owed to employers. The New York State Personal Income Tax Receipts and the New York State ECEP Receipts set aside for the payment of State Personal Income Tax Revenue Obligations are sometimes collectively referred to herein as the “Revenue Bond Tax Fund Receipts”. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—The Revenue Bond Tax Fund” and “—Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program.”

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

The Series 2020B Notes are authorized to be issued pursuant to the Enabling Act, the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the “Authority Act”), and other provisions of State law. The Series 2020B Notes are further authorized pursuant to Part JJ of Chapter 56 of the Laws of 2020 (the “2020 Act”) to finance certain budgetary needs of the State. The Enabling Act, together with the Authority Act and the 2020 Act, constitute the “Authorizing Legislation.”

The Series 2020B Notes are additionally authorized under DASNY’s State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by DASNY on April 29, 2009 (the “General Resolution”), and the Subordinate Supplemental Resolution supplementing the General Resolution to provide for the issuance of Subordinated Indebtedness (the “Subordinate Supplemental Resolution”), as supplemented by Subordinate Supplemental Resolution No. 1 Authorizing State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose) (“Supplemental Resolution No. 1” and together with the Subordinate Supplemental Resolution, the “Subordinate Resolutions”), each adopted by the Authority on April 8, 2020 (such General Resolution, and the Subordinate Resolutions, being herein, except as the context otherwise indicates, collectively referred to as the “Resolution.” The Series 2020B Notes and all other obligations issued under the Subordinate Supplemental Resolution are referred to as the “Subordinate Obligations,” and all State Personal Income Tax Revenue Obligations issued under the General Resolution, other than the Subordinate Obligations, are referred to as the “Senior Obligations.”).

DASNY is one of five issuers authorized by the Enabling Act (the “Authorized Issuers”) to issue State Personal Income Tax Revenue Obligations for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget (the “Director of the Budget”) pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Obligations issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including DASNY.

Each general resolution establishes a subordinated payment fund, which is to be funded by that portion of the applicable financing agreement payments that are available to be transferred from time to time to the subordinated payment fund, and provides for the authorization by supplemental resolution and issuance of subordinated indebtedness thereunder, secured by a subordinate pledge of financing agreement payments and various funds and accounts established by such supplemental resolution. The Subordinate Supplemental Resolution is currently the only resolution adopted by an Authorized Issuer to provide for the issuance of subordinated indebtedness. For purposes of this Official Statement, the term “State Personal Income Tax Subordinate Revenue Obligations” means obligations payable from the subordinated payment fund under any general resolution of an Authorized Issuer, and the term “State Personal Income Tax Senior Revenue Obligations” means State Personal Income Tax Revenue Obligations, other than State Personal Income Tax Subordinate Revenue Obligations. In addition, the term “Subordinate Obligations” means bonds, notes or other obligations issued by DASNY pursuant to the Subordinate Supplemental Resolution, and the term “Senior Obligations” means bonds, notes or other obligations issued by DASNY under the General Resolution, other than Subordinate Obligations.

The Series 2020B Notes and any other State Personal Income Tax Subordinate Revenue Obligations that may hereafter be issued by DASNY or another Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the “Pledged Property” with respect to such Authorized Issuer). Such pledge made in a supplemental resolution supplementing a general resolution of an Authorized Issuer to provide for the issuance of State Personal Income Tax Subordinate Revenue Obligations, including the Subordinate Supplemental Resolution, is subject to and subordinate to the pledge and lien upon the Pledged Property securing the payment of the principal, sinking fund installments, if any, and redemption price of and interest on all State Personal Income Tax Senior Revenue Obligations. Descriptions of the provisions of the Enabling Act and the Authorizing Legislation contained in this Official Statement are of the Enabling Act and the Authorizing Legislation respectively, as each exists on the date of this Official Statement.

Financing agreement payments that are eligible for transfer to a subordinated payment fund are referred to as subordinated financing agreement payments. Such subordinated financing agreement payments are required to be equal to the amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Subordinate Revenue Obligations, including the Series 2020B Notes.

All State Personal Income Tax Senior Revenue Obligations are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. All State Personal Income Tax Subordinate Revenue Obligations, including the Series 2020B Notes are on a parity with each other as to payment from the Revenue Bond Tax Fund, subject to annual appropriation, however the payment of such State Personal Income Tax Subordinate Revenue Obligations is subject to, and subordinate to the payments on State Personal Income Tax Senior Revenue Obligations. As of May 31, 2020, approximately \$37.1 billion of State Personal Income Tax Senior Revenue Obligations were outstanding. As of the date of this Official Statement, \$1.0 billion of State Personal Income Tax Subordinate Revenue Obligations are outstanding. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Series 2020B Notes” and “—Additional Bonds.”

On May 22, 2020, DASNY issued its State Personal Income Tax Revenue Anticipation Notes (General Purpose), Series 2020A in the principal amount of \$1,000,000,000 under the Subordinate Supplemental Resolution and Supplemental Resolution No. 1 (the “Series 2020A Notes”). The Series 2020A Notes, the Series 2020B Notes and any additional series of Subordinate Obligations hereafter issued under the Subordinate Supplemental Resolution, will be equally and ratably secured thereunder. The Series 2020A Notes were, and the Series 2020B Notes are being, issued for the purpose of financing the State’s general operating expenditures for State Fiscal Year 2020-21 in anticipation of the collection of taxes and revenues. In addition, proceeds of the Series 2020B Notes may be used to pay all or part of the cost of issuance of the Series 2020B Notes. See “PART 6—APPLICATION OF PROCEEDS OF THE SERIES 2020B NOTES” for a more complete description of the application of proceeds of the Series 2020B Notes. **The Series 2020B Notes are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes, if any, authorized to be financed with proceeds of the Series 2020B Notes.**

The revenues, facilities, properties and any and all other assets of DASNY of any nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Obligations, including the Series 2020B Notes, any redemption premium therefor or the interest thereon or any other obligations under the Resolution and the Subordinate Supplemental Resolution, and under no circumstances shall these be available for such purposes. See “PART 10—DASNY” for a further description of DASNY.

The Series 2020B Notes shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2020B Notes 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 2020B Notes. DASNY has no taxing power.

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

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

The Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Obligations by establishing the Revenue Bond Tax Fund for the purpose of setting aside New York State Personal Income Tax Receipts and New York State ECEP Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller and the Commissioner and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 50 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the Tax Law, which exclude refunds owed to taxpayers, and 50 percent of the receipts from the New York State ECEP imposed by Article 24 of the Tax Law, which exclude refunds owed to employers, and which, pursuant to Section 171-a of the Tax Law, are deposited in the Revenue Bond Tax Fund. See “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND—Revenue Bond Tax Fund Receipts.”

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Obligations) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Articles 22 and 24 of the Tax Law.

Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program

On April 1, 2018, New York State legislative changes designed to mitigate the adverse impact of the Tax Cuts and Jobs Act of 2017 enacted by the United States Congress (the “TCJA”) on New York State taxpayers went into effect. The New York State legislative changes included the creation of the ECEP and the Charitable Gifts Trust Fund described further below. The ECEP and the Charitable Gifts Trust Fund are expected to reduce New York State Personal Income Tax Receipts, to the extent that employers elect to participate in the ECEP and taxpayers make donations to the Charitable Gifts Trust

Fund. To offset the potential reduction in New York State Personal Income Tax Receipts, the FY 2019 Enacted Budget amended the State Finance Law and the Enabling Act so as to hold harmless the State Personal Income Tax Revenue Bond Financing Program. Accordingly, the enacted legislation provided for:

1. An increase from 25 percent to 50 percent in the statutory allocation of New York State Personal Income Tax Receipts imposed by Article 22 of the Tax Law, which exclude refunds owed to taxpayers that is required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Obligations.

2. An increase in the statutory maximum aggregate amount of New York State Personal Income Tax Receipts and New York State ECEP Receipts required to be deposited to the Revenue Bond Tax Fund to be the greater of 40 percent of Revenue Bond Tax Fund Receipts or \$12 billion in the event that the State Legislature either fails to appropriate or, once appropriated, fails to pay, amounts sufficient to make financing agreement payments for outstanding State Personal Income Tax Revenue Obligations (the "Maximum Revenue Bond Tax Fund Deposit"). Prior to the legislative changes, the amount required to be deposited was the greater of 25 percent of Revenue Bond Tax Fund Receipts or \$6 billion.

3. The creation of the ECEP pursuant to Article 24 of the Tax Law and a corresponding amendment to the Enabling Act to provide that 50 percent of New York State ECEP Receipts, which exclude refunds owed to employers, be deposited to the Revenue Bond Tax Fund. The ECEP establishes an optional tax on payroll expenses that employers can elect to pay if they have employees that earn over \$40,000 annually in New York State. Accompanying legislation created a new Personal Income Tax credit for employees whose wages are subject to the ECEP tax. The credit is calculated using a statutory formula that corresponds in value to the ECEP. As a result, aggregate receipts deposited to the Revenue Bond Tax Fund are expected to remain substantially the same regardless of the amount of New York State ECEP Receipts. Therefore, from a Revenue Bond Tax Fund perspective, the ECEP is expected to be revenue neutral.

4. The creation of a Charitable Gifts Trust Fund to accept gifts for the purposes of improving health care and education in New York State. Taxpayers who itemize deductions may claim charitable gifts as a Personal Income Tax deduction, pursuant to statute existing prior to 2018. The legislative changes created a new Personal Income Tax credit equal to 85 percent of the donation amount. Credits based on contributions to the Charitable Gifts Trust Fund are claimed for the tax year following the year in which the donation is made.

As described above, the ECEP and Charitable Gifts Trust Fund were developed based on a review of then existing laws, regulations, and precedents. However, subsequent to the enactment of legislation effectuating the ECEP and Charitable Gifts Trust Fund, on June 13, 2019, the IRS adopted final regulations (Treasury Decision 9864) that negatively impacted the deductibility of donations made by taxpayers to the Charitable Gifts Trust Fund for Federal income tax purposes. These regulations effectively disallow Federal income tax deductions for charitable contributions whenever a taxpayer receives or expects to receive a state or local tax credit for such charitable contributions, as in the case of Charitable Gifts Trust Fund. In such event, a taxpayer would have to reduce the Federal income tax deduction by the amount of the state tax credit received for such charitable contribution. As a result, since Treasury Decision 9864, donations to the Charitable Gifts Trust Fund have been greatly reduced.

On July 17, 2019, New York State, joined by Connecticut and New Jersey, filed a Federal lawsuit challenging Treasury Decision 9864. Among other things, the lawsuit seeks to restore the full Federal income tax deduction for charitable contributions, regardless of the amount of any state tax credit provided to taxpayers as a result of contributions made to the Charitable Gifts Trust Fund, in accordance with the precedent since 1917.

If the Federal lawsuit is successful it is expected that donations to the Charitable Gifts Trust Fund in future years could be higher than the \$93 million level of donations made in 2018. In such event, the donations to the Charitable Gifts Trust Fund would likely pose a risk to the amount of New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund in future years. To address this risk, the FY 2019 Enacted Budget legislative changes (i) increased the amount of New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund from 25 percent to 50 percent (excluding refunds owed to taxpayers), (ii) added, as a new revenue source, the 50 percent statutory allocation of New York State ECEP Receipts (excluding refunds owed to employers), and (iii) increased the Maximum Revenue Bond Tax Fund Deposit.

In addition, the FY 2019 Enacted Budget legislative changes allow taxpayers to claim reimbursement from the State for interest on underpayments of Federal tax liability for the 2019, 2020 and 2021 tax years if the underpayments arise from reliance on amendments to State tax law enacted in 2018. To receive reimbursement, taxpayers are required to submit their reimbursement claims to the Department of Taxation and Finance within 60 days of making an interest payment to the IRS. If taxpayer participation in the ECEP and donations made to the Charitable Gifts Trust Fund for the 2019, 2020 and 2021 tax years results in Federal determinations of underpayment of Federal income tax, the State could incur costs. However, any such State reimbursement of interest charges would occur in FY 2021 at the earliest, for determinations on 2019 tax payments due in April 2020, or thereafter, and is subject to a number of variables including the rate of participation in the ECEP; the magnitude of donations to the Charitable Gifts Trust Fund; the amount of determinations of underpayment attributable to reliance on other changes in State tax law made in 2018; the amount of time between the due date of the return and the date any Federal determination is issued; the interest rate applied; and the frequency at which taxpayers submit timely reimbursement claims to the State. As a result, the FY 2021 Enacted Budget Financial Plan does not include any estimate of the possible State reimbursement of interest expense to the State.

Series 2020B Notes

The Series 2020B Notes are special obligations of DASNY, secured by and payable from the portion remaining after payment of Senior Obligations of Financing Agreement Payments that are payable by the State Comptroller to U.S. Bank National Association, as Trustee and Paying Agent (the “Trustee” or “Paying Agent”) on behalf of DASNY in accordance with the terms and provisions of the Financing Agreement subject to annual appropriation by the Legislature. A description of the Financing Agreement is included as “APPENDIX D—FORM OF FINANCING AGREEMENT” hereto. The Series 2020B Notes are entitled to a pledge and lien, created by the General Resolution and the Subordinate Supplemental Resolution, which pledge and lien is subject to and subordinate to the pledge and lien on the Pledged Property securing the Senior Obligations. The Pledged Property with respect to the Series 2020B Notes consists of (i) the payments made pursuant to the Financing Agreement and (ii) the Funds and accounts established under the Subordinate Supplemental Resolution (other than the Rebate Fund and the Administrative Fund as provided in the General Resolution and the Subordinate Supplemental Resolution) and the investment earnings thereon available to be transferred to the Subordinated Payment Fund. Pursuant to the General Resolution and the Subordinate Supplemental Resolution, Revenue Bond Tax Fund Receipts are to be applied to the payment of Senior Obligations prior to the application of such receipts to the payment of Subordinate Obligations.

Pursuant to the General Resolution, Financing Agreement Payments are first applied to the payment of debt service on all outstanding Senior Obligations, and any remaining Financing Agreement Payments are eligible to be transferred to the Subordinated Payment Fund (“Subordinated Financing Agreement Payments”) and applied to the payment of Subordinate Obligations, including the Series 2020B Notes.

Financing Agreement Payments together with any other Pledged Property paid to the Trustee under the General Resolution are payable to such Trustee at least five (5) Business Days prior to the date that payments to holders of Senior Obligations and Subordinate Obligations are due, and deposited in the Revenue Fund; however, if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Senior Obligations (including Principal or applicable Redemption Price of and interest on such Outstanding Senior Obligations) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund. Amounts deposited into the Subordinated Payment Fund are deposited to the Subordinate Revenue Fund. Subordinated Financing Agreement Payments together with any other Subordinate Pledged Property deposited in the Subordinate Revenue Fund, shall be applied to the Funds and accounts established under the Subordinate Supplemental 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 Subordinate Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Subordinate Debt Service Fund, second, to the Subordinate Rebate Fund, and, third, to the Administrative Fund; provided, however, that so long as the total amount held in the Subordinate Debt Service Fund shall be sufficient to fully pay all Outstanding Subordinate Obligations (including Principal or applicable Redemption Price of and interest on such Outstanding Subordinate Obligations) in accordance with their terms, no deposits shall be required to be made into the Subordinate Debt Service Fund.

The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Senior Revenue Obligations, which under such general resolutions will be senior in payment to State Personal Income Tax Subordinate Revenue Obligations, including the Series 2020B Notes. See “-Additional Bonds” and “-Additional Notes” herein.

The revenues, facilities, properties and any and all other assets of DASNY of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding, otherwise applied to, the payment of Senior Obligations, Subordinate Obligations, any interest thereon or any other obligations under the General Resolution and Subordinate Supplemental Resolution, and under no circumstances shall these be available for such purposes. See “PART 10—DASNY” for a further description of DASNY.

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

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

The Enabling Act, as amended, provides that:

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

2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:
 - (a) 50 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
 - (b) 50 percent of the amount of the estimated monthly New York State ECEP Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and
 - (c) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.
3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Obligations of all Authorized Issuers in the following month as certified by the Director of the Budget.
4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

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

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

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

Set Aside of Revenue Bond Tax Fund Receipts

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

1. Beginning on the first day of each month, deposit all of the daily New York State ECEP Receipts and the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 50 percent of estimated monthly New York State Personal Income Tax Receipts and 50 percent of estimated monthly New York State ECEP Receipts.
2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts and New York State ECEP Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

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

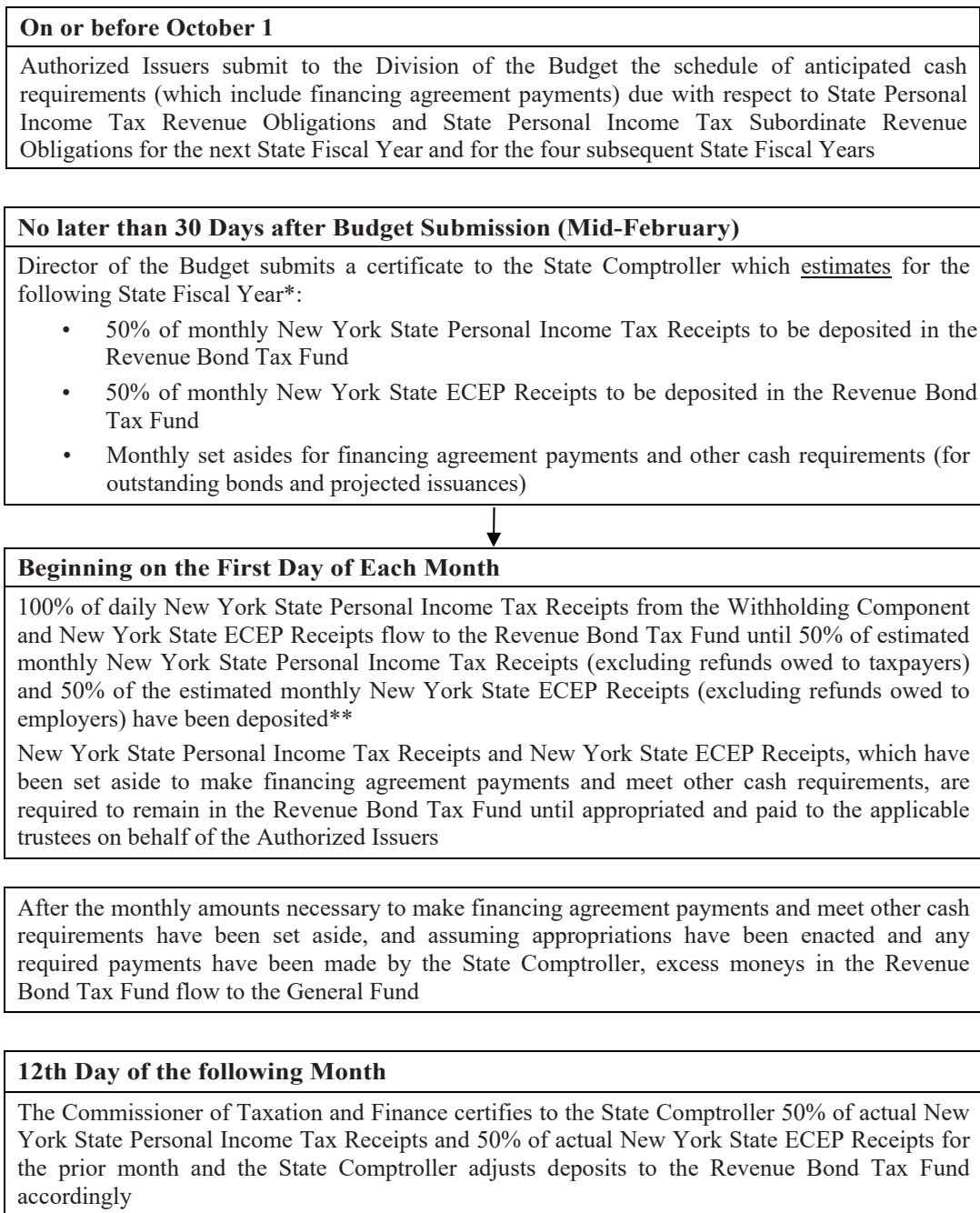
Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts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

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

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Flow of Revenue Bond Tax Fund Receipts

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



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

** The State can certify and set aside New York State Personal Income Tax Receipts and New York State ECEP Receipts in excess of the next month's financing agreement payment requirements to ensure amounts previously set aside and on deposit in the Revenue Bond Tax Fund together with 50 percent of estimated monthly New York State Personal Income Tax Receipts and 50 percent of estimated monthly New York State ECEP Receipts to be deposited in such month are not less than 125 percent of all financing agreement payments due in the following month, as required by the financing agreements.

Moneys Held in the Revenue Bond Tax Fund

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

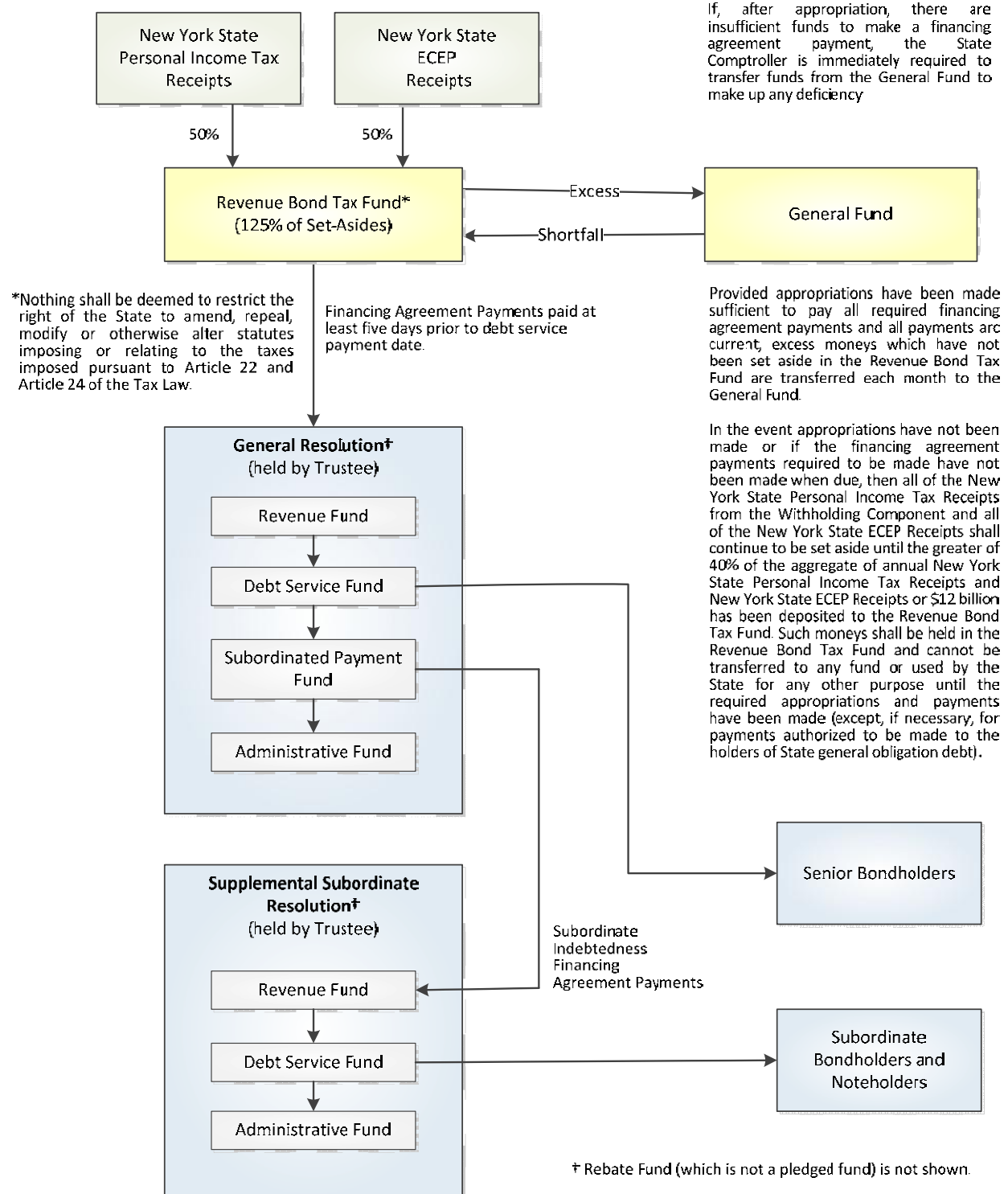
If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by DASNY and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of DASNY and all other Authorized Issuers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

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Senior Revenue Obligations and State Personal Income Tax Subordinate Revenue Obligations to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Obligations, the Enabling Act, as amended, requires that all of the Revenue Bond Tax Fund Receipts shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 40 percent of the aggregate of annual New York State Personal Income Tax Receipts and the annual New York State ECEP Receipts or twelve billion dollars (\$12,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including DASNY.

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

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Flow of Revenues



Appropriation by the State Legislature

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

DASNY expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the New York State Personal Income Tax Receipts from the Withholding Component and all of the New York State ECEP Receipts shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 40 percent of the aggregate of the annual New York State Personal Income Tax Receipts and the annual New York State ECEP Receipts or twelve billion dollars (\$12,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 and Article 24 of the Tax Law.

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

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

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is “subject to the rights of holders of debt of the state” (i.e., general obligation bondholders who benefit from the faith and credit pledge of the State). Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for general obligation debt

service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation debt. In the event that such revenues and other amounts in the General Fund are insufficient to so pay State general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund as well as other funds to pay debt service on State general obligation bonds.

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

Additional Bonds

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

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

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

Additional Notes; Outstanding Notes

Additional Notes

The 2020 Act authorizes the issuance on or before December 31, 2020 by DASNY and ESD of certain tax revenue anticipation notes or bond anticipation notes under the Enabling Act in an aggregate principal amount not to exceed \$8 billion (excluding amounts issued to finance any debt service reserve funds, to pay costs of issuance of such notes and any renewal notes issued to refund such notes), for the purpose of temporarily financing the budgetary needs of the State following deferral of the federal income tax payment deadline from April 15, 2020 to a later date in order to provide temporary relief to individuals as a result of the COVID-19 pandemic. (For information related to COVID-19, a respiratory disease caused by a new strain of coronavirus, and its economic impact on the State see “PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND—Impact of COVID-19 on the Personal Income Tax and Employer Compensation Expense Program,” and “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK—Financial Plan Overview—Executive Summary.”) Such purpose has been deemed by the 2020 Act as to be an Authorized Purpose for which

State Personal Income Tax Revenue Obligations may be issued under the Enabling Act. Pursuant to the 2020 Act, the notes (and any renewal and refunding notes) must be issued on a subordinated basis under the Enabling Act and must mature on or before March 31, 2021 but may be renewed or refunded for an additional period of one year from the date of renewal or refunding. Upon a determination of the Director of the Budget, the notes, renewal notes or refunding notes may be refunded on a long-term basis with proceeds of either State Personal Income Tax Senior Revenue Obligations or State Personal Income Tax Subordinate Revenue Obligations in a principal amount not to exceed the principal amount of the notes, renewal notes or refunding notes being refunded.

Although the 2020 Act limits the amount of State Personal Income Tax Subordinate Obligations that may be issued to temporarily finance budgetary needs of the State to \$8 billion, additional State Personal Income Tax Subordinate Revenue Obligations may be issued by DASNY and other Authorized Issuers in an unlimited amount on a parity with the Series 2020A Notes and the Series 2020B Notes. As of the date of this Official Statement, DASNY is the only Authorized Issuer to have adopted a supplemental resolution to provide for the issuance of State Personal Income Tax Subordinate Revenue Obligations.

Outstanding Notes

On May 22, 2020, DASNY issued its State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose), Series 2020A in the principal amount of \$1,000,000,000 pursuant to the Subordinate Supplemental Resolution (the “Series 2020A Notes”). This was the initial series of Subordinate Obligations issued under the Subordinate Supplemental Resolution and under the 2020 Act.

The Series 2020A Notes were sold pursuant to a direct purchase agreement (the “Series 2020A Contract of Purchase”) to a single institutional purchaser. The Series 2020A Notes bear interest at the fixed rate of 2.05% and mature on December 15, 2020. That interest rate is subject to an automatic increase if there were an event of default under the Series 2020A Contract of Purchase. The initial purchaser certified that it was buying the Series 2020A Notes for its own account, but it reserved the right to sell, transfer, or redistribute the Series 2020A Notes or any portion thereof at any time. DASNY agreed to deliver to the purchaser of the Series 2020A Notes, fifteen days following the closing of the Series 2020B Notes, (i) a final limited offering memorandum relating to the Series 2020A Notes and (ii) certain specified certifications and opinions. Such final limited offering memorandum is expected to take the form of a “wrap” to the final official statement relating to the Series 2020B Notes.

Parity Reimbursement Obligations

An Authorized Issuer, including DASNY, may incur Parity Reimbursement Obligations (as defined in each respective general resolution, including the General Resolution) pursuant to the terms of its general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to State Personal Income Tax Senior Revenue Obligations issued thereunder. DASNY may incur Subordinate Parity Reimbursement Obligations under the Subordinate Supplemental Resolution which, subject to certain exceptions, would be secured by a pledge of, and lien on, Pledged Property eligible to be transferred to the Subordinated Payment Fund, on a parity with the lien created by the Subordinate Supplemental Resolution on State Personal Income Tax Subordinate Revenue Obligations, including the Series 2020A Notes and the Series 2020B Notes. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue Obligations and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Personal Income Tax Senior Revenue Obligations or secured by a pledge of, and lien on, pledged property on a parity with the lien created by the Subordinate Supplemental Resolution only to the extent that principal amortization

requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Senior Revenue Obligations and State Personal Income Tax Subordinate Revenue Obligations, respectively, without acceleration. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE SUPPLEMENTAL RESOLUTION.”

Certain Covenants of the State

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

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 and Article 24 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income taxes imposed pursuant to Article 22 and Article 24 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts and New York State ECEP Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional State Personal Income Tax Revenue Obligations and the marketability of outstanding State Personal Income Tax Revenue Obligations.

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

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

issuer of such State Revenue Obligations could be the State or another public entity. See “APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION—Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions—Reservation of State Rights of Assumption, Extinguishment and Substitution” and “APPENDIX C—CERTAIN PROVISIONS OF THE SUBORDINATE SUPPLEMENTAL RESOLUTION—Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Subordinated Indebtedness Standard Resolution Provisions—Reservation of State Rights of Assumption, Extinguishment and Substitution.”

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

General History of the State Personal Income Tax

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

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

Changes in Federal tax law from time to time may positively or negatively affect the amount of personal income tax receipts collected by the State. State Tax Law changes may also impact personal income tax receipts by authorizing a wide variety of credits against the personal income tax liability of taxpayers. See “PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS—Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program.”

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

Personal Income Tax Rates

Taxable income equals New York adjusted gross income (“AGI”) less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 2009 through 2011 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 8.97 percent on the taxable income of individuals, estates and trusts. For taxpayers with \$100,000 or more of AGI, the savings from graduated marginal tax rates is recaptured through a supplementary mechanism in effect since 1991. Between tax years 2012 and 2017, the tax tables were revised to include additional middle-income brackets with reduced tax rates and a new top bracket, which imposed a tax rate of 8.82 percent. The tax tables were also subject to annual inflation-based adjustment beginning tax year 2013 and ending tax year 2017. Tax rate reductions were applied to the aforementioned middle-income brackets in tax year 2018 as part of a scheduled eight-year phase-in of middle-income tax cuts.

The following tables set forth the current rate schedules for tax years 2019 through 2024 and for tax years after 2024. Tax years 2020 through 2024 are the same as the tax year 2019 schedule except that the middle class tax rates are phased-in through 2025.

New York State Personal Income Tax Rates for Tax Years After 2018 and Before 2025

Married Filing Jointly and Qualified Widow(er) Tax[±]

Taxable Income:

Not over \$17,150	4% of taxable income
Over \$17,150 but not over \$23,600	\$686 plus 4.50% of excess over \$17,150
Over \$23,600 but not over \$27,900	\$976 plus 5.25% of excess over \$23,600
Over \$27,900 but not over \$43,000	\$1,202 plus 5.90% of excess over \$27,900
Over \$43,000 but not over \$161,550	\$2,093 plus 6.21% of excess over \$43,000
Over \$161,550 but not over \$323,200	\$9,455 plus 6.49% of excess over \$161,550
Over \$323,200 but not over \$2,155,350	\$19,946 plus 6.85% of excess over \$323,200
Over \$2,155,350	\$145,448 plus 8.82% of excess over \$2,155,350

Single, Married Filing Separately, Estates and Trusts

Taxable Income:

Not over \$8,500	4% of taxable income
Over \$8,500 but not over \$11,700	\$340 plus 4.50% of excess over \$8,500
Over \$11,700 but not over \$13,900	\$484 plus 5.25% of excess over \$11,700
Over \$13,900 but not over \$21,400	\$600 plus 5.90% of excess over \$13,900
Over \$21,400 but not over \$80,650	\$1,042 plus 6.21% of excess over \$21,400
Over \$80,650 but not over \$215,400	\$4,721 plus 6.49% of excess over \$80,650
Over \$215,400 but not over \$1,077,550	\$13,467 plus 6.85% of excess over \$215,400
Over \$1,077,550	\$72,524 plus 8.82% of excess over \$1,077,550

Head of Household

Taxable Income:

Not over \$12,800	4% of taxable income
Over \$12,800 but not over \$17,650	\$512 plus 4.50% of excess over \$12,800
Over \$17,650 but not over \$20,900	\$730 plus 5.25% of excess over \$17,650
Over \$20,900 but not over \$32,200	\$901 plus 5.90% of excess over \$20,900
Over \$32,200 but not over \$107,650	\$1,568 plus 6.21% of excess over \$32,200
Over \$107,650 but not over \$269,300	\$6,253 plus 6.49% of excess over \$107,650
Over \$269,300 but not over \$1,616,450	\$16,744 plus 6.85% of excess over \$269,300
Over \$1,616,450	\$109,024 plus 8.82% of excess over \$1,616,450

[±] A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds \$2,205,350 for married filing jointly taxpayers in tax years 2019 through 2024, all taxable income becomes effectively subject to a flat 8.82 percent tax rate. Furthermore, the marginal tax rates between 5.9 percent and 6.49 percent are gradually phased-in to rates between 5.61 percent and 6.09 percent between tax years 2019 and 2024.

New York State Personal Income Tax Rates for Tax Years 2025 and Thereafter

Married Filing Jointly Tax[±]

Taxable Income:

Not over \$17,150	4% of taxable income
Over \$17,150 but not over \$23,600	\$686 plus 4.50% of excess over \$17,150
Over \$23,600 but not over \$27,900	\$976 plus 5.25% of excess over \$23,600
Over \$27,900 but not over \$161,550	\$1,202 plus 5.50% of excess over \$27,900
Over \$161,550 but not over \$323,200	\$8,553 plus 6.00% of excess over \$161,550
Over \$323,200	\$18,252 plus 6.85% of excess over \$323,200

Single, Married Filing Separately, Estates and Trusts

Taxable Income:

Not over \$8,500	4% of taxable income
Over \$8,500 but not over \$11,700	\$340 plus 4.50% of excess over \$8,500
Over \$11,700 but not over \$13,900	\$484 plus 5.25% of excess over \$11,700
Over \$13,900 but not over \$80,650	\$600 plus 5.50% of excess over \$13,900
Over \$80,650 but not over \$215,400	\$4,271 plus 6.00% of excess over \$80,650
Over \$215,400	\$12,356 plus 6.85% of excess over \$215,400

Head of Household

Taxable Income:

Not over \$12,800	4% of taxable income
Over \$12,800 but not over \$17,650	\$512 plus 4.50% of excess over \$12,800
Over \$17,650 but not over \$20,900	\$730 plus 5.25% of excess over \$17,650
Over \$20,900 but not over \$107,650	\$901 plus 5.50% of excess over \$20,900
Over \$107,650 but not over \$269,300	\$5,672 plus 6.00% of excess over \$107,650
Over \$269,300	\$15,371 plus 6.85% of excess over \$269,300

* A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds \$373,200 for married filing jointly taxpayers for tax years after 2024, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

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

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

Employer Compensation Expense Program

The ECEP was enacted in 2018 in response to Federal legislation which limited the personal income tax deduction for state and local taxes to \$10,000 per taxpayer annually. Businesses are provided the option to participate in the ECEP, and those that elect to participate remit a tax on annual wages paid to each employee in excess of \$40,000. The tax rate is 1.5 percent in 2019, 3 percent in 2020, and 5 percent in 2021 and thereafter. The ECEP tax must be paid electronically on the same dates that the electing employer's withholding tax payments are required to be made. An employer that overpays the tax may apply for a refund.

Employers participating in the ECEP in 2019 were required to make an election by December 1, 2018, and participating employers began remittance of taxes on payrolls in January 2019. Likewise, New York State ECEP Receipts to the Revenue Bond Tax Fund also began in January 2019. Employers participating in the ECEP for the 2020 tax year were required to make an election by December 1, 2019.

New York State ECEP Receipts are dependent on the extent to which employers elect to participate in the program. In State Fiscal Year 2019-20, the State received \$2.0 million of New York State ECEP Receipts, based on the 262 employers that elected to participate in tax year 2019. However, with just two years of employer participation data available, substantial uncertainty exists with respect to future participation and New York State ECEP Receipts after State Fiscal Year 2019-20.

From a Revenue Bond Tax Fund perspective, the ECEP is expected to be revenue neutral. New York State ECEP Receipts collected from participating employers are expected to be offset by a comparable decrease in Personal Income Tax Receipts, because employees whose wages are subject to the ECEP may claim a Personal Income Tax credit calculated using a statutory formula that corresponds in value to the ECEP. As a result, aggregate receipts deposited to the Revenue Bond Tax Fund are expected to remain substantially the same regardless of the amount of New York State ECEP Receipts.

Impact of COVID-19 on the Personal Income Tax and Employer Compensation Expense Program

COVID-19 is estimated to have a significant negative impact on New York State Personal Income Tax Receipts. The Executive Budget Amendment forecast has been revised sharply downward in the FY 2021 Enacted Budget Financial Plan. Personal income taxes are reduced significantly in FY 2021 with an estimated loss of nearly \$8 billion and a projected \$11 billion annual decline across the financial plan period through FY 2024 compared to the Executive Budget Amendments forecasts. These downward adjustments are reflected in both lower withholding due to increased unemployment and wage losses and reduced estimated and final tax payments mainly associated with the decline in self-employment and other nonwage incomes. The COVID-19 related negative impact on wages will also result in lower revenues from the ECEP, although to a lesser extent because the tax is estimated to generate less than \$10 million annually over the Financial Plan period. There can be no assurance that the adverse impacts of the COVID-19 pandemic on the amounts of New York State Personal Income Tax Receipts will not be more severe or sustained than projected above or as projected in the FY 2021 Enacted Budget Financial Plan forecast described in this Official Statement and in "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK."

Revenue Bond Tax Fund Receipts

The Enabling Act provides that 50 percent of the receipts from the New York State personal income tax imposed by Article 22 of the Tax Law which are deposited pursuant to Section 171-a of the Tax Law ("New York State Personal Income Tax Receipts") shall be deposited in the Revenue Bond Tax Fund. Such receipts currently exclude refunds paid to taxpayers.

The Enabling Act also provides that 50 percent of the receipts from the New York State ECEP imposed by Article 24 of the Tax Law which are deposited pursuant to Section 171-a of the Tax Law (“New York State ECEP Receipts”) shall be deposited in the Revenue Bond Tax Fund. Such receipts currently exclude refunds paid to employers.

Beginning on the first day of each month, the Enabling Act requires the State Comptroller to deposit in the Revenue Bond Tax Fund all of the receipts from the Withholding Component and all of the ECEP Receipts until 50 percent of estimated monthly New York State Personal Income Tax Receipts and 50 percent of estimated monthly New York State ECEP Receipts, respectively, have been deposited into the Revenue Bond Tax Fund.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, New York State ECEP Receipts, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 2010-11 through 2020-21. For additional information related to the State and COVID-19, a respiratory disease caused by a new strain of coronavirus, see “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK – Financial Plan Overview—Executive Summary.”

**NYS Personal Income Tax Receipts and Withholding Component,
NYS ECEP Receipts, and Revenue Bond Tax Fund Receipts
State Fiscal Years 2010-11 through 2020-21***

<u>State Fiscal Year</u>	<u>New York State Personal Income Tax Receipts</u>	<u>Withholding Component</u>	<u>Withholding/ State Personal Income Tax Receipts</u>	<u>New York State ECEP Receipts</u>	<u>Revenue Bond Tax Fund Receipts</u>
2010-11	\$36,209,215,560	\$31,240,169,745	86.3	N/A	\$9,052,303,890
2011-12	38,767,826,942	31,198,971,588	80.5	N/A	9,691,956,736
2012-13	40,226,714,989	31,957,653,106	79.4	N/A	10,056,678,747
2013-14	42,960,774,915	33,367,555,788	77.7	N/A	10,740,193,729
2014-15	43,709,833,323	34,906,793,775	79.9	N/A	10,927,458,331
2015-16	47,055,282,776	36,549,037,064	77.7	N/A	11,763,820,694
2016-17	47,565,878,296	37,523,891,435	78.9	N/A	11,891,469,574
2017-18	51,501,337,750	40,269,241,142	78.2	N/A	12,875,334,437
2018-19	48,087,336,735	41,084,099,022	85.4	52,664	24,043,694,700*
2019-20	53,659,401,043	43,118,276,696	80.4	1,993,101	26,830,697,072*
2020-21 (est.)	49,046,410,843	38,751,977,763	79.0	\$3,271,433	24,524,201,972*

* Reflects increased deposits to the Revenue Bond Tax Fund, resulting from FY 2019 Enacted Budget legislation.

For State Fiscal Year 2019-20, New York State Personal Income Tax Receipts totaled approximately \$53.7 billion and accounted for approximately 64.7 percent of State tax receipts in all State Funds. The FY 2021 Enacted Budget Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will decrease by 8.6% to approximately \$49.0 billion in State Fiscal Year 2020-21. The decline in FY 2020-21 receipts is attributable to decreased wage related withholding, coupled with a decline in Tax Year 2020 estimated payments driven by a decrease in nonwage income. New York State ECEP Receipts are estimated to total \$3.3 million in State Fiscal Year 2020-21, reflecting the second complete fiscal year of ECEP tax collections.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the Division of the Budget for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liability estimates are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see “General History of the State Personal Income Tax” above) that will affect each year’s tax liability. **The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts.** Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen seven times on a year-over-year basis, in State Fiscal Years 1964-65, 1971-72, 1977-78, 1990-91, 2002-03, 2009-10 and 2018-19. Total personal income tax receipts are projected to decline again in 2020-21.

For a more detailed discussion of the general economic and financial condition of the State, including the economic impact of COVID-19 on the State, and its projection of personal income tax receipts, see “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK.”

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for tax years 2011 through 2020.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2010 to 2020*

Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
			<i>(\$ in millions)</i>	
2010.....	\$638,855	7.1%	\$34,834	11.8%
2011.....	657,298	2.9	36,296	4.2
2012.....	714,698	8.7	38,017	4.7
2013.....	714,046	(0.1)	37,331	(1.8)
2014.....	776,477	8.7	41,910	12.3
2015.....	807,775	4.0	43,503	3.8
2016.....	794,105	(1.7)	41,736	(4.1)
2017.....	874,568	10.1	48,000	15.0
2018 (est.).....	906,413	3.6	48,692	1.4
2019 (est.).....	944,834	4.2	51,217	5.2
2020 (proj.).....	852,846	(9.2)	43,209	(15.6)

* NYS AGI and personal income tax liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State’s progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Since tax year 2010, adjusted gross income has grown in all but two years, with the two annual declines in large part due to strategic income shifting in response to changes, or anticipated changes, to the Federal tax code. Consequently, tax liability declined in both of these years, while also growing minimally in tax year 2018 due to the aforementioned strategic income shifting.

The FY 2021 Enacted Budget Financial Plan estimates that tax year 2019 personal income tax liability totaled \$51.2 billion, increasing 5.2 percent from the prior year. Reflecting the economic impact of the COVID-19 pandemic, personal income tax liability is projected to decrease by 15.6 percent to \$43.2 billion in tax year 2020.

Debt Service Coverage

The following table sets forth (1) Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum Calculated Debt Service on the outstanding State Personal Income Tax Revenue Obligations, including the debt service on the Series 2020A Notes and debt service on the Series 2020B Notes and on approximately \$1.8 billion, as currently estimated, of State Personal Income Tax Senior Revenue Obligations expected to be issued contemporaneously by ESD (the “ESD Bonds”), and (3) resulting debt service coverage. There can be no assurance that actual Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting New York State Personal Income Tax Receipts and New York State ECEP Receipts that cannot be predicted at this time.

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

	Revenue Bond Tax Fund Receipts	State Personal Income Tax Senior Revenue Obligations Maximum Calculated Debt Service ¹	State Personal Income Tax Senior Revenue Obligations Debt Service Coverage ¹	State Personal Income Tax Subordinate Revenue Obligations Debt Service ²	Total Debt Service (Senior and Subordinate)	Combined Debt Service Coverage ³
FY 2021	\$26,830,200	\$3,992,126	6.7x	\$4,526,699	\$8,518,825	3.1x

1. Includes projected debt service on the ESD Bonds.

2. Includes debt service on the Series 2020A Notes and debt service on the Series 2020B Notes.

3. If additional State Personal Income Tax Subordinate Revenue Obligations are issued prior to December 31, 2020, such that the aggregate principal amount outstanding totaled \$8 billion, the maximum amount permitted by the Enabling Act, then combined debt service coverage would be approximately 2.2x, which does not reflect the issuance of any additional State Personal Income Tax Senior Revenue Obligations.

Impact of State Charitable Gifts Trust Fund on Revenue Bond Tax Fund Receipts

The amount of donations made by New York State taxpayers to the State Charitable Gifts Trust Fund is the principal direct risk to the amount of New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund. Donations to the Charitable Gifts Trust Fund could reduce State Personal Income Tax Receipts by nearly one dollar for every dollar donated because donors can claim a Personal Income Tax deduction and a tax credit equal to 85 percent of the donation amount for the tax year following the year in which the donation is made.

Prior to the June 13, 2019 release of Treasury Decision 9864 (see “PART 3— SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS— Legislative Changes to Sources of Payment under the State Personal Income Tax Revenue Bond Financing Program”), the Division of Budget and the Department of Taxation and Finance performed a calculation of the maximum amount of charitable donations to the Charitable Gifts Trust Fund that could occur annually under varying assumptions. This calculation of the maximum amount of potential

contributions to the Charitable Gifts Trust Fund is intended to serve as a stress test on New York State Personal Income Tax Receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. Accordingly, the calculation should not, under any circumstances, be viewed as a projection of likely donations in any future year. The factors that may influence donation activity are complex, and include, but are not limited to, possible statements, actions, or interpretive guidance by the IRS or others relating to the deductibility of such donations; the liquidity position, risk tolerance, and knowledge of individual taxpayers; advice or guidance of tax advisors or other professionals; changes in general economic conditions; adoption of similar trusts in other states; and tax reciprocity agreements among states.

The calculation of the maximum amount of potential donations from 2020 through 2023 is on average in the range of \$25 billion annually. The calculation assumes that every resident taxpayer who has an incentive to donate will do so, and such donations will be equal to the total value of each resident taxpayer's State and Local Tax payments, less the value of the \$10,000 Federal, State and Local Tax deduction limit, up to the value of the taxpayer's total State tax liability. The calculation is dependent on several assumptions concerning the number of itemized filers. It relies on the most recent personal income tax population study file, as trended forward, as well as the impact of the TCJA and State law changes on the number and distribution of itemized and standardized filers. The calculation also assumes that (i) no further changes in Federal tax law occur, and (ii) Division of Budget projections of the level of State taxpayer liability for the forecast period as set forth in the FY 2021 Enacted Budget Financial Plan are materially accurate.

The following table summarizes the calculation of the potential impact of charitable donations on Revenue Bond Tax Fund Receipts under different scenarios of possible taxpayer participation.

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**Potential Effect of Contributions to the Charitable Gifts Trust Fund on
Revenue Bond Tax Fund Receipts
State Fiscal Years 2020 Through 2023
(billions of dollars)**

	FY 2020	FY 2021	FY 2022	FY 2023
Revenue Bond Tax Fund Receipts, Prior Law	\$13.0	\$13.8	\$14.5	\$15.3
Revenue Bond Tax Fund Receipts, Current Law	26.8	24.5	24.0	25.4
Revenue Bond Tax Fund Receipts After Charitable Gifts				
100% Participation	22.8	13.2	12.9	13.9
75% Participation	23.8	16.0	15.7	16.9
50% Participation	24.7	18.8	18.5	19.7
25% Participation	25.8	21.7	21.3	22.6
10% Participation	26.4	23.4	22.9	24.2

NOTE: The calculation of the maximum amount of donations is intended as a stress test on New York State Personal Income Tax Receipts that may flow to the Revenue Bond Tax Fund under certain conditions. It should not under any circumstances be viewed as the likely or projected amount of Charitable Gifts Trust Fund donations in any given year.

ASSUMPTIONS:

1. *Tax Rates, Deductions, and Credits.* Revenue Bond Tax Fund Receipts After Charitable Gifts reflects a State income tax deduction for the tax year that the charitable donation is made, and an 85% State tax credit in the following tax year.
2. *State cap on itemized deductions.* The values within this table are determined without respect to New York State's limitations on itemized deductions and, as a result, likely overestimate the negative effect on Revenue Bond Tax Fund Receipts.
3. *Timing.* The values in this table likely overstate the negative effect of future gifts to the Charitable Gifts Trust Fund on the Revenue Bond Tax Fund by assuming that taxpayers immediately reduce withholding and quarterly estimated tax payments, rather than reconciling through tax returns following the conclusion of the tax year.

In general, assumptions made regarding taxpayer behavior were intended to maximize the calculated impact of charitable giving on personal income tax receipts in each year. After these adjustments and with the inclusion of New York State ECEP Receipts, Revenue Bond Tax Fund Receipts are projected to remain above the level of receipts that would have been expected under statutes effective prior to April 2018, even assuming a maximum taxpayer participation scenario.

The calculation of the projected maximum amount on the amount of donations is necessarily based on many assumptions that may change materially over time. While the Division of the Budget believes that these factors can be expected to constrain donation activity, there can be no assurance that, under conditions of maximum participation, the amount of annual donations to the Charitable Gifts Trust Fund will not reduce the level of New York State Personal Income Tax Receipts deposited into the Revenue Bond Tax Fund below the levels calculated. Accordingly, although the calculation of a maximum amount reflects the Division of the Budget's and Department of Taxation and Finance's current best judgment and estimates, such amount may be higher.

As of the FY 2021 Enacted Budget Financial Plan, the State has received \$92.6 million in charitable gifts that have been deposited to the Charitable Gifts Trust Fund. Donations to the Charitable Gifts Trust Fund will likely reduce New York State Personal Income Tax Receipts by nearly one dollar for every dollar donated. There can be no assurance that, under conditions of maximum participation, the amount of annual charitable gifts will not reduce the level of New York State Personal Income Tax Receipts deposited into the Revenue Bond Tax Fund below the levels projected in February 2018 before State tax reforms were enacted. If that were to occur, it is the Division of the Budget's expectation that

changes to the Tax Law would be recommended to further increase the percentage of New York State Personal Income Tax Receipts deposited into the Revenue Bond Tax Fund.

PART 5—DESCRIPTION OF THE SERIES 2020B NOTES

General

The Series 2020B Notes will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery. Interest on the Series 2020B Notes will accrue at the rate described on the inside cover page and will be payable at maturity. The Series 2020B Notes are not subject to redemption prior to maturity. The Series 2020B Notes will be issued in denominations of \$5,000 or any integral multiple thereof.

The Series 2020B Notes 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 2020B Notes. Principal or redemption price of and interest on the Series 2020B Notes are payable by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2020B Notes, 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).

PART 6—APPLICATION OF PROCEEDS OF THE SERIES 2020B NOTES

Purpose

The Series 2020B Notes are being issued to finance the State’s general operating expenditures for State Fiscal Year 2020-21 in anticipation of the collection of taxes and revenues, a significant portion of which will be collected in the latter half of Fiscal Year 2020-21. In addition, proceeds of the Series 2020B Notes may be used to pay all or part of the cost of issuance of the Series 2020B Notes.

State Personal Income Tax Revenue Bond Financing Program Projected Cash Flow

The State has prepared the prospective financial information set forth in the tables below to present the State Personal Income Tax Revenue Bond Financing Program Projected Cash Flow with respect to Fiscal Year 2019-20 and Fiscal Year 2020-21. The accompanying prospective financial information was not prepared with a view toward public disclosure (other than as described herein) or with a view toward complying with the guidelines established by the American Institute of certified Public Accountants with respect to prospective financial information, but in the view of the State, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of the State’s knowledge and belief, the current and future financial performances of the State for the prior fiscal year and this fiscal year. The information presented is not fact, and should not be relied upon as being necessarily indicative of future results. Prospective purchasers are cautioned not to place undue reliance on the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the State as of the date hereof, are subject to change due to many circumstances, including economic conditions and other factors or events that could cause actual results to differ materially from those described in the tables below.

Neither the State’s independent auditors, nor any other independent accountants, have complied, examined, or performed any procedures with respect to the prospective financial information contained

herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

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NEW YORK STATE PERSONAL INCOME TAX OBLIGATIONS
FY 2020¹
(dollars in millions)²

	2019 April	May	June	July	August	September	October	November	December	2020 January	February	March	Total
OPENING SET-ASIDE	0	0	117	0	8	95	0	0	275	0	1,500	1,991	0
PLEGGED REVENUES³	4,608	1,242	2,605	1,666	1,454	2,416	1,289	1,235	2,144	4,450	1,848	1,873	26,831
50% of Personal Income Tax Receipts	4,608	1,242	2,605	1,666	1,454	2,416	1,289	1,235	2,144	4,450	1,848	1,873	26,830
50% of ECEP Receipts	0	0	0	0	0	0	0	0	0	0	0	0	1
SET-ASIDES FOR DEBT SERVICE PAYMENTS	0	117	0	8	95	0	0	275	0	1,500	1,991	0	3,986
Senior	0	117	0	8	95	0	0	275	0	1,500	1,991	0	3,986
Subordinate	0	0	0	0	0	0	0	0	0	0	0	0	0
FINANCING AGREEMENT PAYMENTS⁴	0	0	115	0	7	56	1	0	271	0	594	1,340	2,384
Senior	0	0	115	0	7	56	1	0	271	0	594	1,340	2,384
Subordinate	0	0	0	0	0	0	0	0	0	0	0	0	0
TRANSFER TO GENERAL FUND	4,607	1,126	2,606	1,658	1,361	2,454	1,289	960	2,147	2,950	763	2,524	24,447
CLOSING SET-ASIDE	0	117	0	8	95	0	0	275	0	1,500	1,991	0	0
SUFFICIENCY OF SET-ASIDE													
Opening Set-Aside and Pledged Revenues	4,608	1,243	2,722	1,666	1,462	2,510	1,289	1,235	2,419	4,450	3,348	3,864	
125% of Next Month's Payments (Senior & Subordinate)	0	144	0	8	70	1	0	339	0	742	1,675	0	
Set-Aside and Revenue in Excess of Minimum (Senior & Subordinate)⁵	4,608	1,099	2,722	1,658	1,392	2,510	1,289	896	2,419	3,708	1,673	3,864	

1. Actual results reported in the NYS FY 2021 Enacted Budget Financial Plan. Set-asides are based on projections at the time of certification by the Director of the Budget, which may differ from actual results.

2. Totals may not add due to rounding.

3. This table summarizes pledged revenue deposited to the Revenue Bond Tax Fund. In addition, if at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Senior and Subordinate Revenue Obligations, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized issuers.

4. Financing agreement payments include current debt service obligations and other budgeted estimates, including administrative expenses, costs of issuance, projected new obligations, and interest earnings.

5. Previous set-asides plus monthly Revenue Bond Tax Fund receipts projected at the time of certification by the Budget Director must equal not less than 125% of the following month's financing agreement payments.

NEW YORK STATE PERSONAL INCOME TAX OBLIGATIONS
FY 2021
(dollars in millions)

	2020 April	May	June	July	August	September	October	November	December	2021 January	February	March	Total ⁴
OPENING SET-ASIDE	0	0	1	0	792	1,476	1,850	2,450	3,219	3,639	6,577	5,817	0
PLEDGED REVENUES⁵	280	912	2,256	5,918	1,324	2,190	1,123	1,168	2,105	4,004	1,474	1,771	24,524
50% of Personal Income Tax Receipts	280	911	2,256	5,918	1,324	2,189	1,123	1,167	2,105	4,003	1,473	1,771	24,523
50% of ECEP Receipts	0	0	0	0	0	0	0	0	0	0	0	0	2
SET-ASIDES FOR DEBT SERVICE PAYMENTS	0	1	0	792	1,001	950	600	769	1,600	2,938	0	0	8,652
Senior	0	1	0	317	576	0	0	169	1,000	2,062	0	0	4,125
Subordinate	0	0	0	475	425	950	600	600	600	877	0	0	4,527
FINANCING AGREEMENT PAYMENTS⁶	0	0	1	0	317	576	0	0	1,181	0	760	5,817	8,652
Senior	0	0	1	0	317	576	0	0	169	0	760	2,301	4,125
Subordinate	0	0	0	0	0	0	0	0	1,012	0	0	3,515	4,527
TRANSFER TO GENERAL FUND	280	911	2,256	5,126	323	1,239	523	398	505	1,065	1,474	1,772	15,873
CLOSING SET-ASIDE	0	1	0	792	1,476	1,850	2,450	3,219	3,639	6,577	5,817	0	0
SUFFICIENCY OF SET-ASIDE													
Opening Set-Aside and Pledged Revenues	280	912	2,257	5,918	2,116	3,666	2,973	3,618	5,324	7,642	8,050	7,588	
125% of Next Month's Payments (Senior & Subordinate)	0	1	0	396	720	0	0	1,476	0	950	7,271	0	
Set-Aside and Revenue in Excess of Minimum (Senior & Subordinate)⁷	280	911	2,257	5,522	1,396	3,665	2,973	2,142	5,324	6,692	780	7,588	

1. Pledged revenues in this table reflect the estimates in NYS FY 2021 Enacted Budget Financial Plan.
2. The set-aside amounts in this table are in excess of the required amounts. Although the amounts reflect DOB's current plan, DOB reserves the right to decrease such set-asides to an amount not less than the required amounts. Set-asides are based on projections at the time of certification by the Director of the Budget, which may differ from actual results. The set-aside payments for Subordinate Obligations are based upon issuing Series 2020B Notes in the principal amount of \$3.5 Billion.
3. Totals may not add due to rounding.
4. Subordinate financing agreement payments are shown before interest reimbursement. As stated in the FY 2021 Enacted Budget Financial Plan, interest on the subordinate PIT notes is expected to be reimbursed through the CARES Act.
5. This table summarizes pledged revenue deposited to the Revenue Bond Tax Fund. In addition, if at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Senior and Subordinate Revenue Obligations, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized issuers.
6. Financing agreement payments include current debt service obligations and other budgeted estimates, including administrative expenses, costs of issuance, projected new obligations, and interest earnings.
7. Previous set-asides plus monthly Revenue Bond Tax Fund receipts projected at the time of certification by the Budget Director must equal not less than 125% of the following month's financing agreement payments.

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 2020B Notes. References to the Series 2020B Notes under this caption "Book-Entry Only System" shall mean all Series 2020B Notes, the beneficial interests in which are owned in the United States. The Series 2020B Notes 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 note will be issued for all Series 2020B Notes which bear the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC, the world's largest securities depository, 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2020B Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2020B Notes on DTC's records. The ownership interest of each actual purchaser of each Series 2020B Notes ("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 2020B Notes 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 2020B Notes, except in the event that use of the book-entry system for the Series 2020B Notes is discontinued.

To facilitate subsequent transfers, all Series 2020B Notes 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 2020B Notes 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 2020B Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020B

Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2020B Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2020B Notes 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 2020B Notes 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 2020B Notes 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 2020B Notes registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2020B Notes, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2020B Notes, 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 2020B Notes 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 2020B Notes; 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 the Series 2020B Notes 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 2020B Notes 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) with respect to the Series 2020B Notes. In that event, Series 2020B Notes 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 2020B Notes, 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 2020B NOTES.

So long as Cede & Co. is the registered owner of the Series 2020B Notes, as nominee for DTC, references herein to the Noteholders or registered owners of the Series 2020B Notes (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 2020B Notes.

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 2020B Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DASNY SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2020B NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A NOTEHOLDER; (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 2020B NOTES; 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 2020B Notes, for the payment of debt service on other outstanding State Personal Income Tax Subordinate Revenue Obligations and outstanding State Personal Income Tax Senior Revenue Obligations and the aggregate total during each such period.

12- Month Period Ending March 31	Series 2020B Notes			Other Outstanding State Personal Income Tax Subordinate Revenue Obligations Debt Service ⁽²⁾	Outstanding State Personal Income Tax Senior Revenue Obligations Debt Service ⁽¹⁾⁽²⁾⁽³⁾	Aggregate Debt Service ⁽¹⁾⁽³⁾
	Principal Payments	Interest Payments	Total Debt Service			
2021	\$3,382,200,000	\$132,939,250	\$3,515,139,250	\$1,011,559,722	\$3,939,248,820	\$8,465,947,792
2022	-	-	-	-	3,858,215,569	3,858,215,569
2023	-	-	-	-	3,763,304,132	3,763,304,132
2024	-	-	-	-	3,605,358,110	3,605,358,110
2025	-	-	-	-	3,499,622,981	3,499,622,981
2026	-	-	-	-	3,443,449,567	3,443,449,567
2027	-	-	-	-	3,244,356,316	3,244,356,316
2028	-	-	-	-	3,119,530,543	3,119,530,543
2029	-	-	-	-	2,719,617,976	2,719,617,976
2030	-	-	-	-	2,471,815,352	2,471,815,352
2031	-	-	-	-	2,373,890,046	2,373,890,046
2032	-	-	-	-	2,249,279,112	2,249,279,112
2033	-	-	-	-	2,016,654,102	2,016,654,102
2034	-	-	-	-	1,767,059,780	1,767,059,780
2035	-	-	-	-	1,680,755,180	1,680,755,180
2036	-	-	-	-	1,525,941,548	1,525,941,548
2037	-	-	-	-	1,417,176,754	1,417,176,754
2038	-	-	-	-	1,292,976,789	1,292,976,789
2039	-	-	-	-	1,198,653,871	1,198,653,871
2040	-	-	-	-	1,053,616,430	1,053,616,430
2041	-	-	-	-	949,946,495	949,946,495
2042	-	-	-	-	859,882,940	859,882,940
2043	-	-	-	-	754,255,663	754,255,663
2044	-	-	-	-	602,306,250	602,306,250
2045	-	-	-	-	537,912,300	537,912,300
2046	-	-	-	-	468,284,850	468,284,850
2047	-	-	-	-	453,623,450	453,623,450
2048	-	-	-	-	345,811,900	345,811,900
2049	-	-	-	-	204,479,050	204,479,050
2050	-	-	-	-	-	-
Total⁽³⁾	<u>\$3,382,200,000</u>	<u>\$132,939,250</u>	<u>\$3,515,139,250</u>	<u>\$1,011,559,722</u>	<u>\$55,417,025,876</u>	<u>\$59,943,724,848</u>

- (1) Interest on \$302,535,000 principal amount of outstanding State Personal Income Tax Revenue Obligations that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on \$74,615,000 principal amount of outstanding State Personal Income Tax Revenue Obligations that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.
- (2) The information set forth under the columns captioned "Other Outstanding State Personal Income Tax Subordinate Revenue Obligations Debt Service" and "Outstanding State Personal Income Tax Subordinate Revenue Obligations Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Obligations and on State Personal Income Tax Revenue Obligations contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Obligations from time to time and to the extent that such other State Personal Income Tax Revenue Obligations are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.
- (3) Totals may not add due to rounding.

PART 9—ESTIMATED SOURCES AND USES OF FUNDS

Series 2020B Notes

The following table sets forth the estimated sources and uses of funds with respect to the Series 2020B Notes:

Sources of Funds	
Principal Amount of Series 2020B Notes	\$3,382,200,000.00
Original Issue Premium	117,802,026.00
State Equity Contribution.....	<u>5,140,364.12</u>
Total Sources.....	<u>\$3,505,142,390.12</u>
Uses of Funds	
Deposit to Subordinated Indebtedness Bond Proceeds Fund.....	\$3,500,000,000.00
Costs of Issuance.....	602,501.00
Underwriting Fee	<u>4,539,889.12</u>
Total Uses	<u>\$3,505,142,390.12</u>

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 Obligations and State Sales Tax Revenue Obligations, 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 Addiction Services and Supports, the Office of General Services, and the Office of General Services of the State on behalf of the Department of Audit and Control. Other public clients for whom DASNY issues debt include Boards of Cooperative Educational Services ("BOCES"), State University of New York, the Workers' Compensation Board, school districts across the State and certain cities and counties that have accessed DASNY for the purpose of providing court facilities. DASNY's private clients include independent colleges and universities, private hospitals, certain private secondary schools, special education schools, facilities for the aged, primary care facilities, libraries, museums, research centers and government-supported voluntary agencies, among others.

To carry out its programs, DASNY is authorized to issue and sell negotiable bonds and notes to finance the construction of facilities for such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions. At March 31, 2020, DASNY had approximately \$58.2 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 Obligations 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 536 employees located in three main offices (Albany, New York City and Buffalo) and at approximately 47 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 to the Board by the Speaker of the State Assembly is currently vacant.

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

The current members of DASNY are as follows:

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

Alfonso L. Carney, Jr. was reappointed as a Member of DASNY by the Governor on June 19, 2013. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical consulting services in New York City. He has served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he managed the staff of the Foundation, provided strategic oversight of the administration, communications and legal affairs teams, and developed selected Foundation program initiatives. Mr. Carney has held senior level legal positions with Altria Group Inc., Philip Morris Companies Inc.,

Philip Morris Management Corporation, Kraft Foods, Inc. and General Foods Corporation. Mr. Carney holds a Bachelor's degree in philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His term expired on March 31, 2016 and by law he continues to serve until a successor shall be chosen and qualified.

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

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

BERYL L. SNYDER, J.D., *Secretary*, 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.

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.

WELLINGTON Z. CHEN, Queens.

Wellington Z. Chen was appointed as a Member of DASNY by the Governor on June 20, 2018. Mr. Chen is the Executive Director of the Chinatown Partnership Development Corporation. In this capacity, he leads the Chinatown Partnership in implementing initiatives in infrastructure, post 9/11 rebuilding and public space improvements in a comprehensive effort to improve the environmental and the business conditions. He is a graduate of the School of Architecture and Environmental Studies at The City College of New York. Mr. Chen's term expired on March 31, 2020 and by law he continues to serve until a successor shall be chosen and qualified.

JOAN M. SULLIVAN, Slingerlands.

Joan M. Sullivan was appointed as a Member of DASNY by the New York State Comptroller on March 26, 2019. Ms. Sullivan is President of On Wavelength Consulting LLC, a firm that assists governmental entities with development of public procurements and private companies with the

preparation of effective responses to government solicitations. She possesses over 40 years of experience working in and for the government of New York State, including an expansive career at the NYS Office of State Comptroller where she last served as Executive Deputy Comptroller before accepting an appointment as Executive Director of The NYS Forum, Inc. Ms. Sullivan holds a Bachelor of Arts degree in Business Administration (Accounting) from Siena College.

GERARD ROMSKI, ESQ., Mount Kisco.

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

SHANNON TAHOE, *Acting Commissioner of Education of the State of New York*, Cohoes; ex-officio.

Shannon Tahoe assumed the role of Acting Commissioner of Education and Acting President of the University of the State of New York effective November 16, 2019. Since September 2006, Ms. Tahoe has served in various capacities within the Department, including Deputy Counsel and Assistant Counsel for Legislation. In October 2019, she was appointed Acting Counsel and Deputy Commissioner for Legal Affairs. This appointment will continue to remain in effect along with her appointment as Acting Commissioner of Education and Acting President of the University of the State of New York. Ms. Tahoe has provided legal advice and counsel on critical policy matters and key initiatives. She is familiar with all aspects of the work of the Department, having managed the day-to-day operations of the Office of Counsel as Deputy Counsel and now Acting Counsel. During her tenure, Ms. Tahoe has also assisted with the successful management of a broad array of critical Departmental functions and responsibilities. She holds a Juris Doctorate degree from Syracuse University and Bachelor of Science degree from the University of Rochester.

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.

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.

The principal staff of DASNY are as follows:

REUBEN R. McDANIEL, III is the President and chief executive officer of DASNY, responsible for the overall management of DASNY's administration and operations. Mr. McDaniel possesses more than 30 years of experience in financial services, including public finance, personal wealth management, corporate finance and private equity. During his career in public finance, he participated in more than \$75 billion in tax-exempt bond issuances throughout the country. He has also managed investment portfolios and business assets for a variety of professionals. He previously served as Chair of the Atlanta Board of Education for Public Schools. Mr. McDaniel holds an undergraduate degree in Economics and Mathematics from the University of North Carolina at Charlotte and a Master of Business Administration from the University of Texas at Austin.

PAUL G. KOOPMAN is the Vice President of DASNY and assists the President in the administration and operation of DASNY. Mr. Koopman joined DASNY in 1995 managing the Accounts Payable and Banking and Investment Units followed by management positions in the Construction Division including Managing Senior Director of Construction where he was the primary relationship manager for some of DASNY's largest clients and provided oversight of DASNY's construction administration functions. Most recently, Mr. Koopman served as Managing Director of Executive Initiatives of DASNY where he worked closely with executive staff on policy development, enterprise risk management, and strategic planning. His career in public service began in 1985 with the NYS Division of the Budget, and then continued as Chief Budget Analyst for the New York State Facilities Development Corporation. A graduate of the Rockefeller College of Public Affairs, he holds a Master of Arts degree in Public Administration with a Public Finance concentration, and a Bachelor of Arts degree in Political Science from the State University of New York, University at Albany.

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

MICHAEL E. CUSACK is General Counsel to DASNY. Mr. Cusack is responsible for all legal services including legislation, litigation, contract matters, and the legal aspects of all DASNY financings. In addition, he is responsible for the supervision of DASNY's environmental affairs unit. He is licensed to practice law in the State of New York and the Commonwealth of Massachusetts, as well as the United States District Court for the Northern District of New York. Mr. Cusack has over twenty years of combined legal experience, including management of an in-house legal department and external counsel teams (and budgets) across a five-state region. He most recently served as of counsel to the Albany, New York law firm of Young/Sommer, LLC, where his practice included representation

of upstate New York municipalities, telecommunications service providers in the siting of public utility/personal wireless service facilities and other private sector clients. He holds a Bachelor of Science degree from Siena College and a Juris Doctor degree from Albany Law School of Union University.

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

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

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

Claims and Litigation

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

There is not now pending any litigation against DASNY (i) restraining or enjoining the issuance or delivery of the Series 2020B Notes or (ii) challenging the validity of the Series 2020B Notes or the proceedings and authority under which DASNY will issue the Series 2020B Notes.

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, 2019. 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 and the Subordinated Supplemental Resolution each 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 taxes imposed pursuant to Article 22 and Article 24 of the Tax Law. An Event of Default under the Resolutions 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 opinion of Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2020B Notes 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 2020B Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering such opinion, Hawkins Delafield & Wood LLP has relied on certain representations, certifications of fact, and statements of reasonable expectations made by, as applicable, DASNY, the New York State Division of the Budget (“DOB”) and others, and Hawkins Delafield & Wood LLP has assumed compliance by, as applicable, DASNY, DOB and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2020B Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Hawkins Delafield & Wood LLP, under existing statutes, interest on the Series 2020B Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Hawkins Delafield & Wood LLP expresses no opinion as to any other Federal, state or local tax consequences arising with respect to the Series 2020B Notes, or the ownership or disposition thereof, except as stated above. Hawkins Delafield & Wood LLP renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Hawkins Delafield & Wood LLP expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Hawkins Delafield & Wood LLP expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020B Notes.

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 2020B Notes in order that interest on the Series 2020B Notes 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 2020B Notes, 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 2020B Notes 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 and DOB, as applicable, have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2020B Notes 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 2020B Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2020B Note. 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 2020B Notes.

Prospective owners of the Series 2020B Notes 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 2020B Notes 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 2020B Note 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 2020B Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2020B Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles. An owner of a Premium Note 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 Note, 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 Note may realize a taxable gain upon disposition of the Premium Note 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 Notes should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2020B Notes. 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 2020B Note 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 2020B Notes 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 2020B Notes under Federal or state law or otherwise prevent beneficial owners of the Series 2020B Notes 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 2020B Notes.

Prospective purchasers of the Series 2020B Notes should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinion of Hawkins Delafield & Wood LLP relating to the Series 2020B Notes is set forth in “APPENDIX E—PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS” 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 2020B Notes, or in any way questioning or affecting (i) the proceedings under which the Series 2020B Notes are to be issued, (ii) the pledge effected under the Resolution, or (iii) the validity of any provision of the Authorizing Legislation, the Series 2020B Notes, the Resolutions or the Financing Agreement. See “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK” under the heading “Litigation” for a description of certain litigation relating to the State generally.

PART 14—CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2020B Notes are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and Golden Holley James LLP, New York, New York, Co-Bond Counsel to DASNY, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2020B Notes. The proposed forms of such opinions are included in this Official Statement as “APPENDIX E—PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS.”

Certain legal matters will be passed on for the Underwriters by their counsel, Katten Muchin Rosenman LLP, New York, New York.

PART 15—UNDERWRITING

Citigroup Global Markets Inc. (the “Representative”), on behalf of the Underwriters of the Series 2020B Notes (the “Underwriters”), has agreed, subject to the terms of a Contract of Purchase with DASNY relating to the Series 2020B Notes (the “Contract of Purchase”), to purchase the Series 2020B Notes from DASNY. The Contract of Purchase provides, in part, that subject to certain conditions, the Underwriters will purchase the Series 2020B Notes from DASNY at a purchase price of \$3,500,002,026.00 (representing the principal amount of the Series 2020B Notes plus original issue premium of \$117,802,026.00) and to make a public offering of the Series 2020B Notes at prices that are not in excess of the public offering price or prices (or less than the yields) stated on the inside cover page of this Official Statement. DASNY will pay to the Underwriters on the date of the closing an underwriting fee with respect to the Series 2020B Notes equal to \$4,539,889.12. The Underwriters will

be obligated to purchase all such Series 2020B Notes if any are purchased. The Series 2020B Notes may be offered and sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The following paragraphs have been provided by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform various investment banking services for DASNY, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of DASNY.

In addition, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by DASNY as Underwriters) for the distribution of the offered bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

PART 16—LEGALITY OF INVESTMENT

Under New York State law, the Series 2020B Notes 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 2020B Notes.

PART 17—RATINGS

The Series 2020B Notes are rated “MIG 1” by Moody’s Investors Service and “SP-1+” by S&P Global Ratings. Each rating reflects only the view of the rating agency issuing such rating and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such credit ratings will continue for any given period of time or that either or both will not be revised downward or withdrawn entirely by either or both of such rating agencies, if, in the judgment of either or both of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price of the Series 2020B Notes. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 18—CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2020B Notes to comply with Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement, dated as of May 1, 2002, and amended and restated as of July 1, 2009, December 1, 2010 and June 10, 2019 (the “Master Disclosure Agreement”) for the benefit of all holders of State Personal Income Tax Revenue Obligations, including the holders of the Series 2020B Notes. The parties to the Master Disclosure Agreement have agreed to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Revenue Bond Tax Fund Receipts (collectively, the “Annual Information”) in accordance with the requirements of Rule 15c2-12 and as described in the Master Disclosure Agreement. The Division of the Budget will electronically file with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) System on or before 120 days after the end of each State fiscal year. An executed copy of the Master Disclosure Agreement is attached hereto as “APPENDIX F — EXECUTED COPY 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 agreed in the Master Disclosure Agreement to electronically file with the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of any of the sixteen events described in the Master Disclosure Agreement, notice of any such events.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Obligations, including the holders of the Series 2020B Notes, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The parties to the Master Disclosure Agreement, however, are not obligated to enforce the obligations of the others. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the obligations of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Obligations, including the holders of the Series 2020B Notes, may recover monetary damages thereunder under any circumstances. Any holder or beneficial owner of State Personal Income Tax Revenue Obligations, including the holders of Series 2020B Notes, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders or beneficial owners similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer

be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

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

PART 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 and COVID-19, a respiratory disease caused by a new strain of coronavirus, 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 under the sixth, eleventh (last sentence only) and twelfth paragraphs under the subcaption "Sources of Payment and Security for State Personal Income Tax Revenue Obligations—Revenue Bond Tax Fund Receipts", as to which no representation is made), (ii) "PART 2—INTRODUCTION" (the second, third, fourth, sixth, seventh, eighth, ninth, tenth and thirteenth (other than the last sentence thereof) paragraphs only), (iii) "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE OBLIGATIONS," (iv) "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," (v) "PART 6—APPLICATION OF PROCEEDS OF THE SERIES 2020B NOTES" under the subcaption "State Personal Income Tax Revenue Bond Financing Program Projected Cash Flow," (vi) "PART 8—DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding State Personal Income Tax Subordinate Revenue Obligations Debt Service," and (vii) "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—INFORMATION CONCERNING THE STATE OF NEW YORK" to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK" which were obtained from sources other than the State are not certified

as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in “APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK” hereto under the caption “Litigation”, such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2020B Notes.

Public Resources Advisory Group has acted as financial advisor to the DOB in connection with the sale and issuance of the Series 2020B Notes.

The references herein to the Authority Act, the Enabling Act and other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of DASNY with the registered Owners of the Series 2020B Notes are fully set forth in the General Resolution (including any subordinate supplemental resolutions thereto), and neither any advertisement of the Series 2020B Notes nor this Official Statement is to be construed as a contract with the purchasers of the Series 2020B Notes. 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/ Reuben R. McDaniel, III
Authorized Officer

APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 3, 2020. 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, 2020 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 are expected to be issued on July 29, 2020 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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***New York State
Annual Information Statement***

June 3, 2020

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Introduction

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This Annual Information Statement (AIS) is dated June 3, 2020, 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 12, 2019 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s fiscal year 2021 (FY 2021)¹ Enacted Budget Financial Plan (the “Financial Plan”) issued by the Division of the Budget (DOB) in April 2020. The Financial Plan sets forth the State’s official financial projections for FY 2021 through FY 2024 and reflects current assumptions concerning the financial impact of the COVID-19 pandemic. It includes, among other things, information on the major components of the FY 2021 General Fund gap-closing plan, future potential General Fund budget gaps, multi-year projections of receipts and disbursements in the State’s operating funds, the impact on debt measures, and the anticipated debt issuances required to support the planned capital spending. While the disclosure contained in this AIS is derived from the Financial Plan, this AIS contains certain updates to information set forth in the Financial Plan which are not deemed by DOB to materially change the projections contained in the Financial Plan. DOB next expects to update the State’s multi-year financial projections in July 2020 with the first quarterly update to the Financial Plan.
2. A discussion of issues and risks that may affect the State’s financial projections during FY 2021 or in future fiscal years is provided 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. Updated information regarding the State Retirement System.
5. The status of significant litigation that has the potential to adversely affect the State’s finances.

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

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2021 is the fiscal year that began on April 1, 2020 and ends on March 31, 2021.

OSC, while information relating to matters described in the section entitled “Litigation” has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of the AIS.

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

The factors affecting the State’s financial condition are numerous and complex. This AIS contains "forward-looking statements" relating to future results and economic performance 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 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 at the time they were prepared and are necessarily dependent upon assumptions, estimates and data that it believes are reasonable as of the date made, but that may be incorrect, incomplete or imprecise or not reflective of actual results. Forecasts, projections, and estimates are not intended as representations of fact or guarantees of results. The words “expects”, “forecasts”, “projects”, “intends”, “anticipates”, “estimates”, "assumes" and analogous expressions are intended to identify forward-looking statements. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from projections. Such risks and uncertainties include, but are not limited to, general economic and business conditions; changes in political, social, economic and environmental conditions, including climate change and extreme weather events; severe epidemic or pandemic events, cybersecurity events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; Federal tax law changes; 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 these risks and uncertainties are beyond the control of the State. These forward-looking statements are based on the State’s expectations as of the date of this AIS.

Note that all FY 2020 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements for the fiscal year ending March 31, 2020 is expected to be completed by July 29, 2020. 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, 2020. These reports will contain the final FY 2020 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 2019 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 herein on any date subsequent to its release date. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS.

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

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***Budgetary and
Accounting Practices***

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Significant Budgetary/Accounting Practices

Unless clearly noted otherwise, all financial information is presented on a cash basis of accounting.²

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 specified purposes; Federal Special Revenue Funds, which receive certain Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction, maintenance, and rehabilitation of roads, bridges, prisons, university facilities, and other infrastructure projects; and Debt Service Funds, which account for the payment of principal, interest, and related expenses for debt issued by the State and on the State's behalf by its public authorities.

The State's **General Fund** receives most State taxes and all income not earmarked for a specified 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 Fund and the Rainy Day Reserve Fund (collectively, the "Rainy Day Reserves") to levels at or above those 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, including the Health Care Reform Act (HCRA) funds, the Dedicated Highway and Bridge Trust Fund (DHBTF), and the Lottery Fund. Therefore, General Fund projections account for any estimated funding shortfalls in these funds. Since the General Fund is required by law to be balanced, the focus of the State's budgetary and gap-closing discussion in the Financial Plan is generally weighted toward the General Fund.

At times, DOB will informally designate unrestricted balances in the General Fund for specific policy goals (e.g., reserve for timing of payments). These amounts are typically, but not uniformly, identified with the phrase "reserved for." They are not held in distinct accounts within the General Fund and may be used for other purposes.

² State Finance Law also requires DOB to prepare a pro forma Financial Plan using, to the extent practicable, Generally Accepted Accounting Principles (GAAP). The GAAP-basis Financial Plan is informational only. DOB does not use it as a benchmark for managing State finances during the fiscal year and does not update it on a quarterly basis. The GAAP-basis Financial Plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by the Office of the State Comptroller (OSC) in preparation of the audited Basic Financial Statements, but there can be no assurance that the pro forma GAAP financial plan conforms to all GAAP principles.

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 service 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 many assumptions and are developed by 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 multi-year projections assume 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 in the context of the current and projected fiscal position of the State.

State Operating Funds is a broader measure of spending on operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity in the General Fund, as well as State-funded Special Revenue Funds and Debt Service Funds (spending from Capital Projects Funds and Federal Funds is excluded). As significant financial activity occurs in funds outside the General Fund, the State Operating Funds perspective is, in DOB's view, a more comprehensive measure of operations funded with State resources (e.g., taxes, assessments, fees and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure and the transfer of money between funds. For example, the State funds its share of the Medicaid program from both the General Fund and State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both fund types, giving a more complete accounting of State-funded Medicaid disbursements. Accordingly, projections often emphasize the State Operating Funds perspective.

The Financial Plan projections reflect certain actions that have affected, or are intended to affect, the amount of annual spending reported on a State Operating Funds basis. Such actions include but are not limited to: (a) payment of certain operating costs using available resources outside the State Operating Funds basis of reporting; and (b) reclassification as Enterprise Funds of certain activities in which goods or services are provided to the public for a fee. If these or other transactions are not executed or reported in a manner consistent with DOB's interpretation of the legislation and legislative intent, annual spending growth in State Operating Funds would be higher than projections.

State Operating Funds Spending Adjustments

State Operating Funds disbursements displayed in certain Financial Plan tables and descriptions have been adjusted for the following:

1. The calculation of annual State Operating Funds spending growth from FY 2019 to FY 2020 restates FY 2019 disbursements by adding \$1.7 billion in Medicaid payments that were deferred at the close of that fiscal year.
2. The repayment of intra-year borrowings expected to be executed and repaid within the current fiscal year is excluded from the State Operating Funds spending in FY 2021.

The Financial Plan tables are not adjusted. The FY 2019 results reflect the cash-basis results as reported in the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting, Fiscal Year Ended March 31, 2019.

The State also reports disbursements and receipts activity for All Governmental Funds (All Funds), which includes spending from Capital Projects Funds and Federal Funds, in addition to State Operating Funds. The All Funds basis provides the most comprehensive view of the cash-basis financial operations of the State.

Differences may occur from time to time between DOB and OSC's financial reports in presentation and reporting of receipts and disbursements. For example, DOB may reflect a net expenditure amount while OSC may report the gross expenditure. Any such differences in reporting between DOB and OSC could result in differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and All Governmental Funds).

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Financial Plan Overview

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The following table provides certain Financial Plan information for FY 2020 and FY 2021.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)		
	FY 2020 Results	FY 2021 Enacted
State Operating Funds Disbursements^{1,4}		
Size of Budget	\$102,159	\$94,901
Annual Growth	0.3%	-7.1%
Other Disbursement Measures		
General Fund (Including Transfers) ²	\$77,469	\$73,169
Annual Growth	6.4%	-5.6%
Capital Budget (Federal and State)	\$11,999	\$14,734
Annual Growth	-2.2%	22.8%
Federal Operating Aid	\$58,823	\$63,383
Annual Growth	0.6%	7.8%
All Funds	\$172,981	\$177,518
Annual Growth	1.2%	2.6%
Capital Budget (Including "Off-Budget" Capital) ³	\$12,484	\$15,093
Annual Growth	-2.3%	20.9%
All Funds (Including "Off-Budget" Capital) ³	\$173,466	\$177,877
Annual Growth	1.2%	2.5%
Inflation (CPI)	1.9%	0.5%
All Funds Receipts		
Taxes	\$82,889	\$75,543
Annual Growth	9.7%	-8.9%
Miscellaneous Receipts	\$29,466	\$30,669
Annual Growth	-5.5%	4.1%
Federal Receipts (Operating and Capital)	\$65,080	\$72,833
Annual Growth	6.1%	11.9%
Total All Funds Receipts	\$177,435	\$179,045
Annual Growth	5.5%	0.9%
General Fund Cash Balance	<u>\$8,944</u>	<u>\$6,717</u>
Rainy Day Reserves	\$2,476	\$2,476
Extraordinary Monetary Settlements	\$2,610	\$2,185
Economic Uncertainties	\$890	\$970
All Other Reserves/Fund Balances	\$2,968	\$1,086
Debt		
Debt Service as % All Funds Receipts ⁴	2.8%	3.3%
State-Related Debt Outstanding	\$54,447	\$59,450
Debt Outstanding as % Personal Income	3.9%	4.2%
State Workforce FTEs (Subject to Direct Executive Control)	118,193	118,850
<p>¹ The calculation of annual State Operating Funds spending growth from FY 2019 to FY 2020 is presented herein using restated FY 2019 results that include the \$1.7 billion FY 2019 Medicaid payment deferral.</p> <p>² Includes planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds for designated purposes.</p> <p>³ Includes capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.</p> <p>⁴ Excludes the repayment of a planned \$4.5 billion liquidity financing during FY 2021.</p>		

Executive Summary

- New York is currently the epicenter of the novel coronavirus (COVID-19) pandemic in the United States, with more cases of infections and deaths to date than any other state. The spread of the virus has been slowing due to effective social distancing restrictions and closures.
- The pandemic has caused economic activity in the nation and the State to drop abruptly and dramatically. The consensus is that the global and United States economies are now in recession, the severity and duration of which is highly uncertain.
- The State's updated economic outlook for FY 2021 is similarly bleak. Most key measures of economic output are expected to drop sharply in comparison to FY 2020, and unemployment in the State is expected to average over 11 percent in FY 2021.
- The pandemic's impact on economic and other activities has rendered the FY 2021 Executive Budget Financial Plan ("Executive Budget Financial Plan") receipt and disbursement estimates obsolete. In comparison to the Executive Budget Financial Plan, as proposed in January 2020 and amended in February 2020, DOB has reduced the FY 2021 estimate for General Fund receipts by \$13.3 billion. All Funds tax receipts alone are projected to be down by \$12.4 billion -- a 14 percent reduction in a span of two months. Unlike the Federal government, the State does not routinely borrow for operating expenses.
- The dramatic decline in General Fund receipts is not a one-year problem. DOB expects the reduced receipts to carry through each subsequent year of the Financial Plan, creating a cumulative projected loss of \$60.5 billion through FY 2024 compared to the FY 2021 Executive Budget (the "Executive Budget").
- To date, the Federal government has taken legislative, administrative, and Federal Reserve actions intended to stabilize financial markets; extend aid to large and small businesses, health care providers, and individuals; and reimburse State and local governments for the direct costs of pandemic response. The FY 2021 Enacted Budget (the "Enacted Budget") grants the Budget Director the authority to approve an allocation plan prior to any State agency or public authority expenditure of funds (from State appropriation authority) received by the Federal government in response to the COVID-19 pandemic.

However, the Federal legislation provides only limited unrestricted aid to replace the expected severe loss in State tax receipts. The temporary Federal Medicaid Assistance Percentage (FMAP) increase is estimated to provide \$1.45 billion in savings in FY 2021, however Medicaid enrollment growth as a result of the recession may erode the value the FMAP benefit.

- With no assurance of direct Federal aid – and in awareness that FY 2021 collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements -- the Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during FY 2021.
- The Enacted Budget is premised on the assumption that (a) the Financial Plan will be deemed out of balance when the April 2020 measurement period is complete, (b) the Budget Director's powers will be activated, and (c) across-the-board (ATB) and targeted reductions to local aid programs will be taken to close a substantial portion of the FY 2021 budget gap caused by the receipts shortfall.
- The Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during FY 2021. The Financial Plan is deemed out of balance for FY 2021, and the Budget Director's powers are activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during calendar year 2020 (April 1-30, May 1-June 30, and July 1-December 31).
- The first measurement period ended on April 30, 2020. On May 15, 2020, the State Comptroller published the Cash Basis Report to the Legislature on the State Funds Cash Basis of Accounting, prepared in accordance with subdivision 9-a (a) of section 8 of the State Finance Law. The Report showed State Operating Tax Collections of \$3.6 billion for the month of April 2020. The Executive Budget Financial Plan, as Updated for Governor's Amendments and Forecast Revisions, estimated State Operating Funds Tax Collections of \$11.7 billion for the month of April 2020. Actual tax receipts were 30.5 percent of estimated tax receipts. As a result, the budget has been deemed to be out of balance and the Budget Director's powers, as outlined above, have been activated.
- The Financial Plan reflects \$8.2 billion in recurring reductions in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. DOB is preparing a detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld, and expects to transmit the plan to both houses of the Legislature in the first quarter of FY 2021. The Financial Plan reflects \$300 million in anticipated savings from these reductions by June 30, 2020.
- The magnitude of reductions in the aid-to-localities savings plan will depend on the programs that are included or excluded from reductions, the level of targeted reductions in certain areas that are achievable, and the availability of unrestricted Federal aid.
- Spending for State agency operations will also be significantly reduced, with hiring, salary increases, and purchasing all put on hold.

- State spending, excluding the impact of special liquidity financing, is expected to decline by \$7.3 billion in FY 2021, a decrease of 7.1 percent from FY 2020 results. This is the largest annual percent decline in spending since the Great Depression.³
- The wide-ranging economic, health, and social disruptions caused by the COVID-19 pandemic are having an adverse impact on State authorities and localities, including the Metropolitan Transportation Authority (MTA) and the City of New York. The aid-to-localities reductions that will need to be taken in the Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

COVID-19 Pandemic

The Public Health Crisis

The outbreak of COVID-19, a respiratory disease in humans caused by a new strain of coronavirus, was first detected in China in 2019. Since that time, it has spread globally, including to the United States. The World Health Organization classified the outbreak as a pandemic on March 11, 2020, and the President of the United States declared a national state of emergency on March 13, 2020.

New York is currently the epicenter of the outbreak in the United States. From March 1, 2020, when the first case of the new virus was confirmed in the State, through April 18, 2020, the State recorded 236,732 confirmed cases of COVID-19. Confirmed cases in New York on April 18, 2020 accounted for 32 percent of all cases in the United States. President Trump approved a major disaster declaration for the State on March 20, making Federal aid available through the Federal Emergency Management Agency (FEMA) to supplement State, tribal, and local recovery efforts for the period beginning January 20, 2020.

Since the outbreak began, the State has adopted a series of increasingly restrictive measures intended to slow the spread of the virus and expand health care system capacity. On March 3, 2020, the State approved a \$40 million special emergency appropriation for pandemic response services and expenses. On March 7, 2020, the Governor issued an executive order declaring a disaster emergency in the State. On March 20, 2020, Governor Cuomo signed the "New York State on PAUSE" executive order that included a new directive requiring all non-essential businesses statewide to close in-office personnel functions, effective March 22, 2020, and banning all non-essential gatherings of individuals of any size for any reason. On April 16, 2020, the restrictions, closures, and other directives in the executive order were extended through May 15, 2020. It is expected that the Governor will continue to modify the executive order as events warrant.

³ Excluding the annual change in disbursements from FY 1942 to FY 1943 that resulted from a nine-month fiscal year in 1943.

During May 2020, the rate of new infections, hospitalizations, and deaths has trended downward. Before lifting restrictive measures and closures, each region of the State must meet a series of criteria, including declining COVID-19 hospitalizations, declining COVID-19 deaths, adequate hospital and intensive-care bed capacity, and implementation of testing and contact tracing. In the absence of consistent guidance from Federal officials and agencies, the State has worked with other states in the region to implement a unified plan for lifting certain restrictions and closures.

Severe Economic Disruption

The pandemic has caused economic activity in the nation and the State to drop abruptly and dramatically. There is consensus that the global and United States economies are now in recession, the severity and duration of which is highly uncertain. Initial unemployment claims surged in the second half of March 2020 through the first three weeks of April, bringing the five-week total to approximately 26.5 million. This number of initial claims is record breaking for a five-week period and surpasses the nonfarm job gains from October 2010 through February 2020. According to the U.S. Bureau of Economic Analysis (BEA), U.S. real Gross Domestic Product (GDP) is estimated to have declined by 5.0 percent in the first quarter of 2020, and DOB estimates GDP will fall by 24.5 percent in the second quarter. For comparison, the prior DOB forecast (February 2020) estimated quarterly growth of 1.5 percent and 2.5 percent, respectively. On an annual basis, U.S. real GDP growth for 2020 is expected to contract by 5.7 percent.

The State's updated economic outlook for FY 2021 is bleak. Most key measures of economic output are expected to drop sharply in comparison to FY 2020. DOB forecasts that nonfarm employment will fall by 7 percent; total wages will fall by 7.2 percent, and personal income and wages (excluding bonuses) will fall by 2.2 percent. Financial and insurance sector bonuses, an important source of personal income tax collections, are expected to drop by 50 percent. The State's unemployment rate is expected to average 11.4 percent, a level higher than any recorded since the current methodology for calculating the rate was introduced.

At the request of DOB, the Boston Consulting Group (BCG) compiled an in-depth economic impact analysis of COVID-19 on the State economy. The findings in the BCG analysis are consistent with DOB's overall U.S. and State economic outlook and the implied revenue losses in comparison to the Executive Budget Financial Plan. The BCG analysis indicates a downturn that is deeper -- and a recovery that will take longer -- than the "Great Recession" and the recession that followed the terrorist attacks of September 11, 2001.⁴

⁴ BCG's analysis included the latest data related to weekly unemployment insurance claims that were not available at the time that DOB's economic and revenue forecasts were completed.

Impact on State Budget Estimates

The Governor proposed the FY 2021 Executive Budget on January 21, 2020, and amendments to it on February 14, 2020. In the Executive Budget Financial Plan⁵ dated February 24, 2020, DOB estimated that, if the budget was adopted without modification, the General Fund would be balanced in FY 2021. The outyear budget gaps were projected at \$1.9 billion in FY 2022, \$3.3 billion in FY 2023, and \$3.3 billion in FY 2024. The Executive Budget Financial Plan reflected a proposed \$105.8 billion in State Operating Funds spending for FY 2021, an annual increase of \$1.9 billion, or 1.9 percent.

The pandemic's impact on economic activity has rendered the Executive Budget Financial Plan estimates obsolete. In the Enacted Budget Financial Plan, DOB has reduced the FY 2021 estimate for General Fund receipts⁶ by \$13.3 billion in comparison to the Executive Budget Financial Plan. Steep reductions have been made to the estimates for General Fund tax receipts (\$12.2 billion), lottery and gaming revenues that support School Aid (\$858 million), and dedicated tax receipts to the DHBTF, for which the General Fund is the payor of last resort (\$168 million). For context, All Funds tax receipts are expected to decline by 8.9 percent from FY 2020 – and 14.1 percent from the Executive Budget Financial Plan forecast – and remain at that reduced level in FY 2022. Tax receipts are not expected to return to FY 2020 levels until FY 2024.

The dramatic decline in General Fund receipts is forecast to carry through each subsequent year of the Enacted Budget Financial Plan, for a total loss of \$60.5 billion through FY 2024 compared to the Executive Budget Financial Plan. The total budget gap for the four-year Financial Plan period (FY 2021 through FY 2024), prior to the savings measures described below, is now projected to be \$69 billion, or more than 8 times higher than the total gap of \$8.5 billion projected in the Executive Budget Financial Plan.

⁵ Executive Budget Financial Plan as Updated for Governor's Amendments and Forecast Revisions.

⁶ Includes receipts in other funds where the General Fund is the payor of last resort.

The following table summarizes the revisions to General Fund receipts as a result of the pandemic.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS					
(millions of dollars)					
	FY 2021	FY 2022	FY 2023	FY 2024	Total
	Enacted	Projected	Projected	Projected	
EXECUTIVE BUDGET SURPLUS/(GAP)	0	(1,939)	(3,313)	(3,266)	(8,518)
Receipts (includes Lottery Aid)	(13,089)	(15,858)	(15,756)	(15,547)	(60,250)
Dedicated Tax Receipts (DHBTF)	(168)	(41)	(39)	(42)	(290)
UPDATED BUDGET SURPLUS/(GAP) BEFORE ACTIONS	(13,257)	(17,838)	(19,108)	(18,855)	(69,058)

Actual receipts losses may be materially higher than this estimate, depending on the severity and duration of the pandemic and the impact on economic activity within the State and nationally.

Federal Assistance to Date

To date, the Federal government has taken legislative, administrative, and Federal Reserve actions intended to stabilize financial markets; extend aid to large and small businesses, health care providers, and individuals; and reimburse governments for the direct costs of pandemic response. From the perspective of the State Financial Plan, the most significant actions to date include the President's approval designating New York as a major disaster area, making it eligible for FEMA grants and aid; establishment of the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which will provide the State with funding for COVID-related expenses; a temporary increase in FMAP, which is the matching rate that the Federal government pays on eligible Medicaid expenditures; and the creation of a Municipal Liquidity Facility (MLF) that authorizes the Federal Reserve to purchase revenue and bond anticipation notes of states and certain local governments. Each of these actions are described in more detail later in this AIS.

The Federal legislation to date, however, provides only limited unrestricted aid to replace the expected severe loss in State tax receipts. The temporary FMAP increase is estimated to provide \$1.45 billion in savings in FY 2021. Medicaid enrollment growth as a result of the recession is likely to further erode the value of the FMAP benefit. As of the date of this AIS, certain congressional leaders have expressed support for legislation to provide such aid to the states and local governments, but no consensus has been reached. Therefore, the State cannot count on additional Federal aid and must move ahead with plans to impose deep, widespread reductions to local aid programs and agency operations to provide for a balanced budget in FY 2021. If unrestricted aid becomes available, or tax receipts rebound unexpectedly, the planned reductions may become less severe.

FY 2021 Enacted Budget Financial Plan

Budget Adoption

The Enacted Budget was adopted on April 2, 2020, at a point in time of rapidly deteriorating economic and public health conditions, and with no clarity on whether additional Federal aid would be enacted to cushion expected revenue losses. In negotiations, the Governor and Legislative leaders agreed that timely budget adoption was essential for pandemic response efforts and continuity of operations, but that rewriting the Executive Budget assumptions to address the evolving situation was neither feasible nor advisable given the uncertainties and the possibility of significant unrestricted Federal aid. The Enacted Budget therefore generally authorizes spending limits near the level proposed in the FY 2021 Executive Budget.

Reductions Authorized if Certain Conditions are Met

Given the likelihood that FY 2021 collections from taxes and other receipts are likely to fall materially below the level needed to fund authorized disbursements, the Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. In addition, the Budget Director is authorized to withhold and reduce specific local aid payments during the fiscal year. The budget would be deemed out of balance for the fiscal year, and the Budget Director's powers would be activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during 2020 (April 1-30, May 1-June 30, and July 1-December 31).

The Financial Plan is premised on the assumption that (a) the budget will be deemed out of balance when the April measurement period is complete, (b) the Budget Director's powers will be activated, and (c) ATB and targeted reductions to local aid programs will be taken to close a substantial portion of the FY 2021 budget gap caused by the receipts shortfall.

DOB is exploring other options to alleviate the depth of reductions that will be needed. To the maximum extent possible, however, the actions taken in FY 2021 must provide recurring savings or the State will need to close even larger budget gaps in FY 2022 and in the years that follow.

The Enacted Budget Gap-Closing Plan

The following table summarizes the Enacted Budget gap-closing plan. It is followed by a brief summary of the major items shown in the table. More information on these items can be found later in the AIS.

FY 2021 ENACTED BUDGET				
GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS				
(millions of dollars)				
	FY 2021	FY 2022	FY 2023	FY 2024
	Enacted	Projected	Projected	Projected
UPDATED BUDGET SURPLUS/(GAP) BEFORE ACTIONS	(13,257)	(17,838)	(19,108)	(18,855)
Changes to Executive Proposals Adopted in Enacted Budget:	<u>782</u>	<u>911</u>	<u>737</u>	<u>618</u>
School Aid - Offset by Federal Funds	1,169	1,791	1,986	2,278
Medicaid	(100)	(778)	(1,160)	(1,543)
Legislative Adds	(180)	(10)	(10)	(10)
Legislative Rejection of Executive Proposals	(107)	(92)	(79)	(107)
Budget Control Actions:	<u>10,120</u>	<u>8,904</u>	<u>9,100</u>	<u>9,407</u>
Budget Balance Reductions (Aid to Localities)	<u>8,180</u>	<u>8,010</u>	<u>8,010</u>	<u>8,010</u>
<i>School Aid</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Medicaid/Health</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Higher Education</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Social Services</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Mental Hygiene</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Transportation</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
<i>Other</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>	<i>tbd</i>
Agency Operations Budget Balance Reductions	1,647	716	967	1,300
Debt Service/Other Revisions	293	178	123	97
Resource Changes:	<u>2,355</u>	<u>550</u>	<u>0</u>	<u>0</u>
Federal Medicaid Share Increase (eFMAP)	1,452	0	0	0
Prior Year Balances	553	550	0	0
Other Resources	350	0	0	0
ENACTED BUDGET SURPLUS/(GAP)	<u>0</u>	<u>(7,473)</u>	<u>(9,271)</u>	<u>(8,830)</u>

The gap-closing plan for FY 2021 must cover an estimated General Fund receipts shortfall of \$13.3 billion. The plan consists of specific savings in the Enacted Budget, budget control actions taken by the Budget Director to reduce authorized spending, and surplus resources. The components of the plan are described below.

1. Changes to the Executive Budget Adopted in the Enacted Budget

The specific alterations to the Executive Budget proposal provide estimated net savings of \$782 million in FY 2021. The most important changes include the following:

- **School Aid:** The Executive Budget proposed a School Aid increase of \$826 million for School Year (SY) 2021. In negotiations, the Governor and Legislature agreed to eliminate the proposed increase, which results in General Fund savings of \$486 million in FY 2021 and \$743 million in FY 2022. In addition, Federal funding for schools in the CARES Act will allow the State to realize savings of \$795 million in FY 2021 and \$341 million in FY 2022 in comparison to the Executive Budget Financial Plan. The net fiscal-year impact also reflects updated information on expense-based aids and other minor adjustments. Lastly, the General Fund cost for School Aid has increased due to the estimated shortfall in lottery and gaming receipts. The impact of this cost is reflected in the receipts shortfall described above.
- **Medicaid:** The Executive Budget Financial Plan included a \$2.5 billion savings target for the Medicaid Redesign Team (MRT). The Enacted Budget approved \$2.2 billion of the proposals identified by the MRT. In addition, FY 2020 spending for Medicaid was roughly \$650 million lower than anticipated in the Executive Budget Financial Plan. This savings was carried into FY 2021 by reducing the planned payment deferral in FY 2020 from \$1.7 billion to \$1 billion, then increasing it again to \$1.7 billion in FY 2021. This change, along with re-estimates to planned disbursements, results in a net General Fund cost of \$100 million in FY 2021 in comparison to the Executive Budget Financial Plan (which included a total of \$3.3 billion in Medicaid savings: \$2.5 billion from the MRT and \$850 million from the recurring value of FY 2020 savings actions).
- **Legislative Additions:** The Executive Budget Financial Plan did not continue funding for many aid-to-localities programs at the levels authorized in the FY 2020 Enacted Budget. In negotiations on the FY 2021 Enacted Budget, the Governor and Legislature agreed to add funding for certain programs.
- **Legislative Rejection of Executive Proposals:** The Legislature did not accept certain initiatives and savings measures proposed in the Executive Budget, the most significant of which were rejection of an increase to the fee for Certificate of Need applications that are assessed on health-care facilities construction projects, elimination of video lottery terminal (VLT) aid for cities other than Yonkers, and elimination of certain restrictions on quick draw lottery games.

2. Budget Control Actions

Budget control actions, expected to be authorized when the budget is deemed out of balance, constitute \$10.1 billion – or 75 percent -- of the FY 2021 gap-closing plan. The actions consist of reductions to aid-to-localities programs (\$8.2 billion), State agency operations (\$1.6 billion), and a range of other savings, primarily from expected reductions to debt service costs (\$293 million).

- **Aid to Localities:** The Financial Plan reflects \$8.2 billion in recurring reductions in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. It is expected that the legislative additions (\$180 million), like other local assistance programs, will not be fully funded in FY 2021. DOB is preparing a detailed plan itemizing the specific appropriations and disbursements that will be reduced or withheld. It expects to transmit the plan to both houses of the Legislature in the first quarter of FY 2021. The Comptroller's cash-basis report on April 2020 results was released on May 15, 2020, and demonstrated that total tax receipts met the criteria for instituting budget control actions. Once DOB has submitted its plan, the Assembly and Senate will then have ten days to adopt, by concurrent resolution, their own plan to close the gap. If no legislative plan is adopted, or if the plan is not adequate to provide for a balanced budget, as determined by DOB, the plan prepared by DOB will take effect immediately. The Financial Plan reflects \$300 million in anticipated savings from these reductions by June 30, 2020.

The magnitude of reductions in the aid-to-localities savings plan will depend on the programs that are included or excluded from reductions, the level of targeted reductions in certain areas that are achievable, and the availability of unrestricted Federal aid. For example, if large items of expenditure, such as School Aid and Medicaid, are excluded from reduction in the savings plan, the average reduction that would need to be made to the remaining local aid programs is estimated in the range of 40 percent to 50 percent. If, on the other hand, School Aid and Medicaid are subject to reductions, the average reduction that would need to be made is estimated in the range of 20 percent to 30 percent. It is a zero-sum calculation – smaller reductions in one area will result in correspondingly larger reductions elsewhere.

The scope and depth of the reductions to local aid programs needed to balance the FY 2021 Enacted Budget have no precedent in modern times. In the absence of Federal aid, nearly every activity funded by state government in the aid to localities budget -- from special education to children's health insurance to residential services for vulnerable populations to substance abuse programs to school property tax relief to direct aid to localities to operating aid to mass transit to higher education -- will face steep cuts. Any of these reductions can be mitigated during the fiscal year if additional Federal aid is made available or revenues perform better than forecast.

- **Agency Operations:** Executive agency budgets, with limited exceptions for facility operations and public health and safety, will be reduced by 10 percent from budgeted levels. The Financial Plan assumes that the Judiciary and elected officials will initiate comparable reductions in their budgets for FY 2021. The Federal CARES Act allows employers to defer payment of non-Medicare payroll taxes through December 2020. The Financial Plan takes advantage of this interest-free deferral. Accordingly, the State will make no social security payments from April through December 2020, for a savings of \$667 million in FY 2021 -- an estimated \$559 million for the Executive and \$68 million for the Judiciary, then repay the deferred amounts in equal installments in December 2021 and December 2022, as permitted in the CARES Act. Lastly, the State is withholding, for a minimum of 90 days, the general salary increases that were scheduled to go into effect on April 1, 2020. The Financial Plan reflects only the cash-flow impact of the withholding. If a decision is made to withhold the full amount for the fiscal year, it would provide savings of \$260 million in FY 2021 and offset the need for reductions elsewhere in the budget.

DOB is imposing a comprehensive set of controls on agency operations that are intended to reduce costs and provide for essential operations. The controls include a strict freeze on hiring and transfers, regardless of funding source, unless expressly approved by DOB. All existing waivers and exemptions to hiring controls, except for those related to pandemic response have been revoked. In addition, new contracts or purchase orders for non-personal service expenditures may be initiated only where such expenditures are needed to protect the health, safety and security of employees and citizens, and to ensure the continuation of high priority operations and services. Lastly, all current and planned capital projects will be reviewed and prioritized by DOB and the Governor's office. In the interim, agencies and authorities are barred from entering into new contracts for capital projects except where not initiating a project would pose an imminent threat to public health and safety.

- **Other Savings:** DOB has identified debt portfolio management opportunities and other savings realized in FY 2020 that are expected to recur.

3. Resource Changes

The Enacted Budget includes additional resources from the temporary increase in FMAP, as well as the use of FY 2020 surplus and other balances expected to be available in FY 2021.

DOB estimates that, if all the actions and savings are executed as proposed, it would result in balanced General Fund operations in FY 2021 and projected budget gaps for FY 2022 through FY 2024 would be reduced substantially.

General Fund Balances

The State's liquidity position is dependent on the performance of tax receipts, the management of cash disbursements, the receipt of proceeds from notes and lines of credit, and the execution of reductions in aid-to-localities programs and State agency operations. All of these actions are subject to risks and uncertainties. Accordingly, no reserves are used to help close the FY 2021 budget gap, but instead are held to preserve liquidity and respond to further deterioration in tax receipts.

The Financial Plan estimates that the General Fund will end FY 2021 with a cash balance of \$6.7 billion, a decrease of \$2.2 billion compared to FY 2020. The change in the balance reflects the use of available cash at the end of FY 2020 to reduce the budget gap in FY 2021 and the timing of payments not made at the close of FY 2020 that are expected to be made in FY 2021. The estimated closing balance is dependent on many factors, including the implementation of the reductions in local aid and State agency operations, the performance of tax receipts, and other assumptions described in the Financial Plan.

State Spending

State Operating Funds spending, excluding the impact of liquidity financing, is expected to total \$94.9 billion, a decrease of \$7.3 billion (7.1 percent) compared to FY 2020 results. The Federal government extended the deadline for filing PIT returns from April 15 to July 15, 2020, as described below. The Financial Plan assumes that \$4.5 billion in PIT notes and credit facilities will be issued in the first quarter of FY 2021 to mitigate the cash-flow impact of the filing extension, with the notes and facilities paid off by March 31, 2021. The repayment adds \$4.5 billion to estimated State Operating Funds disbursements, bringing total spending to \$99.4 billion in FY 2021, a decrease of \$2.8 billion (2.7 percent) compared to FY 2020 results.

At the close of FY 2020, several budgeted payments were not made due to disruptions and uncertainties relating the COVID-19 outbreak. These payments, which mainly affect higher education and social services, had no impact on services or benefits and are expected to be made in the first quarter of FY 2021, which distorts the annual growth in these areas.

The following table summarizes the annual change in spending.

STATE OPERATING FUNDS DISBURSEMENTS FY 2020 TO FY 2021 (millions of dollars)				
	FY 2020 Results	FY 2021 Enacted	Annual Change	
			\$	%
LOCAL ASSISTANCE	68,652	61,660	(6,992)	-10.2%
School Aid (School Year Basis) ¹	27,812	26,780	(1,032)	-3.7%
DOH Medicaid ²	22,077	23,274	1,197	5.4%
Temporary eFMAP Increase	0	(1,452)	(1,452)	0.0%
Transportation	3,488	3,935	447	12.8%
STAR ³	2,184	2,073	(111)	-5.1%
Social Services	2,355	3,250	895	38.0%
Higher Education	2,362	3,518	1,156	48.9%
Mental Hygiene ⁴	3,427	2,223	(1,204)	-35.1%
All Other ⁵	4,947	6,059	1,112	22.5%
Budget Balance Reduction	0	(8,000)	(8,000)	0.0%
STATE OPERATIONS/GENERAL STATE CHARGES	28,591	27,403	(1,188)	-4.2%
State Operations	20,168	19,107	(1,061)	-5.3%
Personal Service:	<u>14,090</u>	<u>14,641</u>	<u>551</u>	<u>3.9%</u>
Executive Agencies	7,814	7,860	46	0.6%
27th Administrative Payroll	0	107	107	0.0%
University Systems	4,128	4,406	278	6.7%
Elected Officials	2,148	2,268	120	5.6%
Non-Personal Service:	<u>6,078</u>	<u>5,446</u>	<u>(632)</u>	<u>-10.4%</u>
Executive Agencies	3,226	2,788	(438)	-13.6%
University Systems	2,298	2,087	(211)	-9.2%
Elected Officials	554	571	17	3.1%
Budget Balance Reduction - Executive Agencies	0	(700)	(700)	0.0%
Budget Balance Reduction - Elected Officials	0	(280)	(280)	0.0%
General State Charges	8,423	8,296	(127)	-1.5%
Pension Contribution	2,456	2,592	136	5.5%
Health Insurance	4,303	4,513	210	4.9%
Other Fringe Benefits/Fixed Costs	1,664	1,191	(473)	-28.4%
DEBT SERVICE	4,916	5,838	922	18.8%
TOTAL STATE OPERATING FUNDS (Excluding Liquidity Financing)	102,159	94,901	(7,258)	-7.1%
Liquidity Financing	0	4,500	4,500	0.0%
TOTAL STATE OPERATING FUNDS (Including Liquidity Financing)	102,159	99,401	(2,758)	-2.7%
Capital Projects (State and Federal Funds)	11,999	14,734	2,735	22.8%
Federal Operating Aid	58,823	63,383	4,560	7.8%
TOTAL ALL GOVERNMENTAL FUNDS	172,981	177,518	4,537	2.6%

¹ FY 2021 does not reflect \$1.1 billion in Federal CARES Act funding.

² Total State share Medicaid funding is reported prior to the spending offset from the application of Master Settlement Agreement (MSA) payments, which are deposited directly to a Medicaid Escrow Fund to cover a portion of the State's takeover of Medicaid costs for counties and New York City. The value of this offset is reported in "All Other" local assistance disbursements.

³ The conversion of benefit payments to a State PIT credit decreases reported disbursements for STAR and decreases reported PIT receipts by an identical amount. The shift from the basic exemption to the credit program does not reduce the value of the benefit received by homeowners.

⁴ Total Mental Hygiene spending is \$4.3 billion in FY 2021, an increase of 7 percent from FY 2020, a portion of which is funded by the DOH Medicaid budget.

⁵ "All Other" includes spending for various other functions, as well as reclassifications between financial plan categories, a reconciliation between school year and State fiscal year spending for School Aid, and MSA payments deposited directly to a Medicaid Escrow Fund (\$321 million in FY 2020 and \$362 million in FY 2021), which reduces reported disbursements.

Other Financial Plan Developments

Liquidity

The State must address a temporary cash flow shortfall caused, in substantial part, by the Federal government's decision to extend the personal income tax filing deadline from April 15 to July 15, 2020, in response to the COVID-19 pandemic. With nearly 95 percent of all income tax returns received electronically, both Federal and State returns are filed simultaneously. As a result, it was necessary for the State to change the due date for State tax returns to correspond with the new Federal filing date. The extension is expected to delay the receipt of approximately \$9 billion of State personal income tax collections from April to July, creating liquidity pressure for the State. In addition, through the first quarter of FY 2021, the recession's impact on tax receipts is expected to reduce collections by an additional \$3.1 billion compared to the Executive Budget Financial Plan forecast.

The Enacted Budget contains several measures to enable the State to address liquidity needs during FY 2021. First, it authorizes up to \$8 billion of short-term borrowing in the form of personal income tax revenue or bond anticipation notes. The statutory authorization requires any such notes to be issued on a subordinated basis by December 31, 2020, with an initial maturity no later than March 31, 2021. The notes can be renewed once for up to a year, and may also be refinanced on a long-term basis. The Financial Plan currently includes planned PIT note sales of \$3.0 billion in FY 2021 that will be issued on a subordinated basis to other long-term PIT bonds. The cash flow projections include monthly set-asides for the repayment of notes, starting in July 2020. DOB will evaluate cash results regularly and adjust the size and timing of note sales based on liquidity needs, market considerations, and other factors.

Second, the Enacted Budget authorizes up to \$3 billion of line of credit facilities with one or more banks. The statute allows draws on these line of credit facilities through March 31, 2021, subject to annual available appropriation. Any outstanding balance on March 31, 2021, may be extended, renewed or refinanced for up to two one-year terms and may also be refinanced on a long-term basis. The Financial Plan includes an estimated \$1.5 billion in proceeds from a line of credit in June 2020. The cash flow projections include the full repayment of the line of credit in March 2021. As with the PIT note sales, DOB will adjust size and use of the line of credit based on updated information.

The Financial Plan assumes that the interest expense on both the PIT notes and the line of credit facilities is an eligible expense for Federal aid from the Coronavirus Relief Fund, since the financings are due solely to the Federal decision to extend tax filing deadlines in response to the pandemic.

Lastly, the Enacted Budget provides for a one-year suspension of the Debt Reform Act provisions covering all issuances in FY 2021, including the notes and line of credit, any renewals or long-term refinancing of the notes and line of credit, and all other debt issuances. Accordingly, FY 2021 issuances are not limited to capital purposes and are not counted toward limits on debt outstanding and debt service. In doing so, the Enacted Budget provides the State with certainty that it will

continue to have access to capital markets during the pandemic and period of economic recovery, regardless of the degree of any decline in personal income taxes and All Funds receipts.

Pandemic Response Costs

The Financial Plan assumes that the Federal government will fully fund the State's direct cost for pandemic response. Aid is expected through FEMA disaster assistance grants and aid, and the Coronavirus Relief Fund. Accordingly, the Financial Plan reflects no net costs from COVID-related expenses. However, there can be no assurance that Federal funding will be received at the level and on the timetable assumed in the Financial Plan.

Through May 15, 2020, the State had disbursed approximately \$730 million to construct hospital facilities, secure critical equipment, and fund other pandemic response activities. A substantial portion of these disbursements, roughly \$500 million, occurred in FY 2020 and affected results for that fiscal year.

As of April 24, 2020, the United States Treasury had deposited the State's share of the Coronavirus Relief Fund, \$5.1 billion, into the State Treasury. The State intends to charge eligible costs to the Coronavirus Relief Fund during the fiscal year. The funds deposited in the State Treasury will provide budgetary liquidity to the State until they are used to fund or reimburse COVID-eligible expenditures.

Credit Ratings and Bond Market

The major rating agencies, Fitch, Kroll, Moody's, and Standard & Poor's, assign the State general credit ratings of AA+, AA+, Aa1, and AA+, respectively. On April 1, 2020, Moody's changed the State's credit outlook from "stable" to "negative," noting that New York is the epicenter of the COVID-19 outbreak and stating that, in its view, the crisis was "eating into the state's reserves and straining its ability to structurally balance its budget." On April 10, 2020, Fitch changed the State's credit outlook from "stable" to "negative," citing "the considerable economic and fiscal uncertainty faced by the state as it confronts the coronavirus pandemic."

On April 16, 2020, Standard & Poor's confirmed the State's stable outlook, noting the State's "strong track record of fiscal resilience during periods of crisis" but observing that "pressures on the state's finances will mount as a result of the COVID-19-induced recession and prudent actions taken to mitigate related health and safety risks."

The State, through its public authorities and general obligation issuances, is one of the largest issuers of municipal bonds in the United States. The State relies on regular bond sales to fund its capital program. In addition, in FY 2021, it is planning on note sales to meet temporary liquidity needs caused by the pandemic.

Since the outbreak of COVID-19 in the United States, the municipal bond market has experienced significant disruption. From March 4th through April 8th, 2020, net outflows from municipal bond mutual funds and exchange-traded funds totaled over \$48 billion. Issuances in March 2020 dropped to \$17.2 billion, compared to the five-year March average of \$31.1 billion. An inability of

the State to sell bonds or notes at the level or on the timetable it expects could have a material and adverse impact on the State's financial position and the implementation of its FY 2021 Enacted Budget Capital Program and Financing Plan (Capital Plan).

In April 2020, the Federal Reserve initiated programs to purchase short-term debt from municipal issuers, as a measure to bolster liquidity and repair the municipal market. Most notably, the Federal Reserve announced that it will purchase short-term municipal notes using funding from the CARES Act, which included \$500 billion for loans to eligible businesses and states and local governments. DOB will continue to evaluate Federal Reserve purchase facilities as more information becomes available to determine whether all or a portion of expected PIT note sales could be executed through the new lending facility.

State Authorities and Localities

The wide-ranging economic, health, and social disruptions caused by the COVID-19 outbreak are having an adverse impact on State authorities and localities. The Metropolitan Transportation Authority and the Thruway Authority have disclosed that observed declines in mass transit, commuter rail, and vehicular traffic are having a significant adverse and material impact on their financial condition and operating results. The City of New York has made material reductions to estimated tax receipts for City Fiscal Year (CFY) 2020 and CFY 2021, and other localities have identified similar concerns. The State aid reductions expected to be taken in the Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

General Fund Cash-Basis Financial Plan

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. Two significant factors affect reported General Fund tax receipts that are unrelated to actual collections. First, changes in debt service on State revenue bonds affect General Fund tax receipts. The State has three bonding programs where tax receipts are deposited into dedicated debt service funds (outside the General Fund) and used to make debt service payments on bonds issued by the State. After satisfying debt service requirements for these bonding programs, the balance is transferred to the General Fund. Second, the STAR program is funded from PIT receipts, with changes in the cost of the program affecting reported PIT receipts.

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 projections for tax receipts, miscellaneous receipts, disbursements, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Multi-Year Projections" herein.

The disbursement estimates by Financial Plan category reflect the impact of the budget balance reductions that DOB expects to execute during FY 2021 as a distinct line below each Financial Plan category. The precise reductions in the aid-to-localities programs will be contained in the reduction plan that DOB expects to submit to the Legislature in May 2020. The cash disbursement estimates to local aid programs and State agency operations are expected to be allocated by agency in the First Quarterly Update to the Financial Plan.

FY 2021 Financial Plan

The General Fund is estimated to be balanced on a cash-basis in FY 2021. The estimate is dependent on many factors, including the accuracy of the tax receipts forecast, which is subject to many uncertainties as a result of the COVID-19 pandemic and recession; the successful implementation of steep and wide-ranging reductions to aid-to-localities disbursements and controls on State agency operating expenses; the reimbursement of first-instance capital expenditures with bond proceeds; and the receipt of Federal funding, through FEMA, the Coronavirus Relief Fund, and other aid, of the full cost of the State's pandemic response efforts in FY 2021.

The following table summarizes the projected annual change in General Fund receipts, disbursements, and fund balances from FY 2020 to FY 2021.

GENERAL FUND FINANCIAL PLAN				
(millions of dollars)				
	FY 2020 Results	FY 2021 Enacted	Annual Change	
			Dollar	Percent
Opening Fund Balance	7,206	8,944	1,738	24.1%
Total Receipts	<u>79,207</u>	<u>70,942</u>	<u>(8,265)</u>	<u>-10.4%</u>
Taxes ¹	73,133	61,990	(11,143)	-15.2%
Miscellaneous Receipts	3,159	6,373	3,214	101.7%
Non-Tax Transfers from Other Funds	2,915	2,579	(336)	-11.5%
Total Disbursements	<u>77,469</u>	<u>73,169</u>	<u>(4,300)</u>	<u>-5.6%</u>
Local Assistance	51,863	46,400	(5,463)	-10.5%
State Operations	19,508	18,904	(604)	-3.1%
Transfers to Other Funds	6,098	7,865	1,767	29.0%
Net Change in Operations	<u>1,738</u>	<u>(2,227)</u>	<u>(3,965)</u>	<u>-228.1%</u>
Closing Fund Balance	<u>8,944</u>	<u>6,717</u>	<u>(2,227)</u>	<u>-24.9%</u>
Rainy Day Reserves	2,476	2,476	0	
Economic Uncertainties	890	970	80	
Reserve for Timing of Payments	1,313	0	(1,313)	
All Other Reserves/Balances	1,655	1,086	(569)	
Extraordinary Monetary Settlements	2,610	2,185	(425)	

¹ Includes the transfer of tax receipts from other funds after debt service.

General Fund tax receipts, miscellaneous receipts, and transfers to other funds in the table above are each affected by the planned use of liquidity financing (PIT notes and lines of credit) to manage the liquidity impact of the extension of income tax filing deadlines. The Financial Plan includes the planned issuance of \$3 billion in PIT notes and use of \$1.5 billion in expected line of credit draws. The amounts are currently budgeted to be repaid within FY 2021. In FY 2021, General Fund miscellaneous receipts reflect the deposit of \$4.5 billion in notes and line of credit proceeds. PIT receipts are expected to be applied in the amount of \$3 billion for note repayments and transfers to other funds are expected to be increased by \$1.5 billion for line of credit repayment. The Financial Plan assumes that interest expense on the PIT notes and line of credit facilities will be reimbursed from Federal aid as an eligible COVID-19 expense, as the need for liquidity financings was a direct result of the extension of tax filing deadlines as a result of the pandemic.

General Fund receipts and disbursements, as well as fund balances, are affected by the receipt and use of Extraordinary Monetary Settlements. The table below summarizes the General Fund sources and uses of Extraordinary Monetary Settlements and how they impact General Fund miscellaneous receipts and capital projects transfers.⁷

GENERAL FUND FINANCIAL PLAN				
EXTRAORDINARY MONETARY SETTLEMENTS				
(millions of dollars)				
	FY 2020 Results	FY 2021 Enacted	Annual Change	
			Dollar	Percent
Opening Balance	4,194	2,610	(1,584)	-37.8%
Total Receipts	889	80	(809)	-91.0%
Settlements Received	895	80	(815)	-91.1%
Funds Retained by Dept. of Law	(6)	0	6	-100.0%
Total Uses	2,473	505	(1,968)	-79.6%
Capital Purposes	1,345	425	(920)	-68.4%
Rainy Day Reserves	238	0	(238)	-100.0%
Economic Uncertainties	890	80	(810)	--
Net Change in Operations	(1,584)	(425)	1,159	73.2%
Closing Balance	2,610	2,185	(425)	-16.3%

⁷ More information on the receipt and use of Extraordinary Monetary Settlements can be found in "Other Matters Affecting the Financial Plan" herein.

Receipts⁸

As noted above, the reporting of General Fund tax receipts and miscellaneous receipts is affected by the planned use of liquidity financings (PIT notes and lines of credit) to manage the impact of the tax filing extensions on monthly cash-flows.

General Fund receipts, including transfers from other funds, are estimated to total \$70.9 billion in FY 2021, a decrease of \$8.3 billion (10.4 percent) from FY 2020 results due to the shock to the economy brought on by the global pandemic.

PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to drop from \$50.5 billion in FY 2020 to \$41.6 billion in FY 2021, a decrease of \$8.9 billion (17.6 percent). The decrease reflects extraordinary declines in both bonus and non-bonus wages impacting withholding and estimated payments. In addition, refunds are expected to decline due to a steep decline in advance credit payments related to Tax Year 2020, due to the expired Property Tax Relief Credit program, as well as a decrease in the administrative cap on the amount of refunds paid from January to March 2021. General Fund PIT receipts in FY 2021 also include the impact of a portion of the repayment (\$3 billion) of the \$4.5 billion in proceeds from the issuance of short-term debt expected to be issued in the first quarter of FY 2021 to address the timing of personal income tax receipts due to filing extensions granted by the IRS.

Consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total nearly \$12 billion in FY 2021, a drop of \$2.2 billion (15.7 percent) from FY 2020. The drop reflects a significant decline in the sales tax base of roughly 17 percent. This is partly offset by the full-year impact of the new requirement that online marketplace providers collect Sales and Use Tax (SUT) on sales that they facilitate and Energy Service Companies (ESCOs) be subject to sales tax.

Business tax receipts are estimated at \$6.5 billion in FY 2021, an increase of \$136 million (2.1 percent) from FY 2020. The increase is primarily attributable to growth in corporation franchise tax receipts, driven by higher gross receipts and lower refunds.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air (CW/CA) Bonds, are expected to total \$1.9 billion in FY 2021, a decrease of \$142 million (-7.0 percent) from FY 2020, primarily due to an estimated decrease in real estate transfer tax receipts resulting from a large estimated decline in housing starts, housing prices, and bonuses. This decline is partly offset by a slight increase in estate tax receipts, primarily due to a partial-year impact of the estimated growth in household net worth.

Non-tax receipts and transfers are estimated at \$9 billion in FY 2021, an increase of \$2.9 billion from FY 2020. This increase reflects an expected increase of \$4.5 billion in miscellaneous receipts from liquidity financings made for cash flow purposes. This increase is partly offset by a reduction in the level of Extraordinary Monetary Settlements from \$889 million in FY 2020 to

⁸ Excluding Extraordinary Monetary Settlements.

\$80 million in FY 2021, and the use of certain resources available in FY 2020 that either do not recur or recur at a lower amount in FY 2021.

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total \$73.2 billion in FY 2021, a decrease of \$4.3 billion (-5.6 percent) from FY 2020.

Local assistance spending is estimated at \$46.4 billion in FY 2021, a decrease of \$5.5 billion (10.5 percent) from FY 2020. The decrease includes an \$8 billion recurring reduction in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. The allocation of the savings plan will depend on what programs are included or excluded from reductions, the level of targeted reductions in certain areas, and the availability of Federal aid. Accordingly, the specific agency and program spending levels described below do not reflect any reductions that may occur as a result of the savings plan.

General Fund School Aid spending, on a State fiscal year basis, grows by \$532 million, reflecting in part the expected reduction in lottery and gaming receipts that must be now funded by the General Fund. Medicaid spending is expected to increase \$997 million, excluding the impact of a temporary increase in FMAP that is expected to provide \$1.45 billion in savings in FY 2021. Medicaid spending subject to Global Cap Index grows by \$573 million (3.0 percent) and the cost of minimum wage increases and local takeover, currently outside the Global Cap, is estimated to grow above FY 2020 levels by \$314 million and \$183 million, respectively.

General Fund personal and non-personal service costs are expected to total \$11.7 billion in FY 2021, a decrease of \$399 million (3.3 percent) from FY 2020. The decrease reflects \$700 million in recurring savings from the planned 10 percent reduction in Executive agency spending compared to the amounts authorized in the Enacted Budget. Limited exceptions are expected to be made for facility operations and public health and safety. In addition, the Financial Plan assumes that the Judiciary and elected officials will initiate comparable reductions in their budgets for FY 2021 (\$280 million).

General State Charges (GSCs), which include fringe benefits and certain fixed costs, are projected to decline by \$205 million (2.8 percent) from FY 2020. The decrease is mainly due to the interest-free deferral of the employer's share of Social Security taxes through December 2020 (\$667 million) that will be repaid in equal installments in December 2021 and December 2022, as permitted in the CARES Act. Health insurance costs for State employees and retirees are projected to increase by \$210 million (4.9 percent), due to medical inflation and current enrollment levels. The State's annual pension payment is projected to grow by \$136 million (5.5 percent). The State's costs for Workers' Compensation are expected to increase by \$41 million, due to underlying growth in average weekly wage, benefit and medical costs, as well as a reduction in other resources available to offset costs.

General Fund transfers to other funds are projected to total \$7.9 billion in FY 2021, an increase of \$1.8 billion from FY 2020. The growth is mainly due to the repayment of a portion (\$1.5 billion) of the \$4.5 billion in proceeds from the liquidity financings.

FY 2021 Closing Balance

The State's liquidity position is dependent on the performance of tax receipts, the management of cash disbursements, the receipt of proceeds from PIT notes and lines of credit facility draws, and the execution of reductions in aid-to-localities programs and State agency operations. All of these actions are subject to risks and uncertainties. Accordingly, no reserves are used to help close the FY 2021 budget gap, but instead are held to preserve liquidity and respond to further deterioration in tax receipts.

DOB projects the State will end FY 2021 with a General Fund cash balance of \$6.7 billion, a decrease of \$2.2 billion from FY 2020. The change in the balance reflects the use of available cash at the end of FY 2020 to reduce the budget gap in FY 2021 and the timing of payments not made at the close of FY 2020 that are expected to be made in FY 2021. The estimated closing balance is dependent on many factors, including the implementation of the reductions in local aid and State agency operations, the performance of tax receipts, the level of Federal aid available to the State and other assumptions in the Financial Plan.

In addition, the expected use of Extraordinary Monetary Settlements for initiatives approved in prior budgets will reduce the balance in the General Fund. See "Other Matters Affecting the Financial Plan - Extraordinary Monetary Settlements" herein.

TOTAL BALANCES (millions of dollars)			
	FY 2020 Results	FY 2021 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	8,944	6,717	(2,227)
Statutory Reserves:			
Rainy Day Reserves	2,476	2,476	0
Community Projects	31	15	(16)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Economic Uncertainties	890	970	80
Debt Management	500	500	0
Timing of Payments	1,313	0	(1,313)
Undesignated Fund Balance	1,103	550	(553)
Subtotal Excluding Settlements	6,334	4,532	(1,802)
Extraordinary Monetary Settlements	2,610	2,185	(425)

Cash Flow

State Finance Law authorizes the General Fund to borrow money temporarily from available funds held in the Short-Term Investment Pool (STIP). The FY 2021 Enacted Budget amended the statute to permit the borrowings until the end of the fiscal year, which was previously limited to up to four months. 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 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.

The State continues to reserve money on a quarterly basis for debt service payments 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.

PROJECTED MONTH-END CASH BALANCES						
FY 2021						
(millions of dollars)						
	General Fund	Other Funds	All Funds	Adjustments		Adjusted
				Liquidity Financing	Budget Balance	All Funds
April 2020	8,740	9,871	18,611	0	0	18,611
May 2020	6,219	8,810	15,029	(3,000)	0	12,029
June 2020	1,718	9,097	10,815	(1,500)	(398)	5,917
July 2020	9,946	9,621	19,567	425	(398)	14,696
August 2020	8,787	9,339	18,126	350	(498)	13,107
September 2020	9,938	8,958	18,896	625	(1,098)	13,404
October 2020	9,513	9,458	18,971	375	(598)	13,256
November 2020	8,395	9,474	17,869	375	(398)	12,131
December 2020	8,454	11,250	19,704	425	(1,398)	12,993
January 2021	8,564	14,882	23,446	1,925	(398)	18,262
February 2021	9,617	13,479	23,096	0	(898)	17,014
March 2021	6,717	9,989	16,706	0	(2,898)	7,726

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Other Matters Affecting the Financial Plan

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Other Matters Affecting the Financial Plan

General

The Financial Plan is subject to complex economic, social, financial, political, public health and environmental risks and uncertainties, many of which are outside the ability of the State to predict or control. DOB asserts that the projections of receipts and disbursements in the Financial Plan are based on reasonable assumptions, but there can be no assurance that results will not differ materially and adversely from these projections. For example, in past years, tax receipts collections have varied substantially from the levels forecasted, and entitlement-based programmatic spending has also varied significantly from initial projections. More recently, DOB recognized the need to correct a structural imbalance under the Medicaid Global Cap as spending levels exceeded the indexed levels. Similarly, there are inherent risks with the financial condition of health care providers and enrollment in public health insurance programs driven directly or indirectly by the COVID-19 pandemic. The Financial Plan projections include the recurring savings associated with reductions implemented in FY 2020 and the Medicaid Redesign Team II (MRT II) actions authorized in the Enacted Budget to limit Medicaid spending, which also included increased General Fund support.

DOB routinely executes cash management actions to manage the State's large and complex budget. These actions are intended for a variety of purposes that include improving the State's cash flow, managing resources within and across State fiscal years, assisting in 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 has regularly made certain payments above those initially planned, subject to available resources, to maintain budget flexibility.

The Financial Plan is based on numerous assumptions including the condition of the State and national economies, and the concomitant collection of economically sensitive tax receipts in the amounts projected. Other uncertainties and risks concerning the economic and receipts forecasts include impacts of: national and international events; ongoing financial risks in the Eurozone; changes in consumer confidence, price and supply of oil and gas; major terrorist events and hostilities or war; climate change and extreme weather events; severe epidemic or pandemic events; cybersecurity threats; Federal statutory and regulatory changes concerning financial sector activities; Federal tax law; changes to Federal programs; 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; credit rating agency actions; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; technology industry developments and employment; effect of household debt on consumer spending and State tax collections; and outcomes of litigation and other claims affecting the State.

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; 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; willingness and ability of the Federal government to provide the aid projected in the Financial Plan; ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; unanticipated growth in Medicaid program costs; and ability of the State and its public authorities to issue securities successfully in 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 changes. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Enacted Budget grants the Budget Director the authority to reduce aid-to-localities appropriations and disbursements by any amount needed to achieve a balanced budget, as estimated by DOB. The budget would be deemed out of balance for the fiscal year, and the Director's powers would be activated, if actual tax receipts are less than 99 percent of estimated tax receipts, or actual disbursements are more than 101 percent of estimated disbursements, as measured at three points during the year (April 1-30, May 1-June 30, and July 1-December 31). Upon identification of an imbalance, the Budget Director would transmit a plan to the Legislature identifying the specific appropriations and cash disbursements that would be reduced. The Legislature would then have ten days to adopt, by concurrent resolution, its own plan for eliminating the imbalance. If no plan is adopted, the plan submitted by the Budget Director would take effect automatically. The process exempts certain types of local assistance appropriations from uniform reduction, including public assistance and Supplemental Security Income (SSI) payments.

Any reductions made pursuant to this authorization may be paid in full or in part if one or both of the following events occur: (i) Actual State Operating Funds Tax Receipts through February 28, 2021 are not less than 98 percent of Estimated State Operating Funds Tax Receipts through February 28, 2021; or (ii) the Federal government provides aid that the Budget Director deems sufficient to reduce or eliminate the imbalance in the General Fund for FY 2021 and does not adversely impact the projected budget gap in FY 2022.

In addition, if a General Fund imbalance is identified, the Budget Director is authorized to withhold any payments, including amounts that are to be paid on specific dates prescribed in law or regulation if such action is necessary to respond to the direct and indirect economic, financial, and social effects of the COVID-19 pandemic.

The Financial Plan forecast assumes various transactions will occur as planned including, but not limited to: receipt of certain payments from public authorities; receipt of revenue sharing payments under the Tribal-State Compacts; receipt of miscellaneous revenues at the levels set forth 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 and Federal approvals necessary to implement the Enacted Budget MRT II savings actions. Such risks and uncertainties, if they were to materialize, could adversely impact the Financial Plan in current or future years, or both.

The Financial Plan also includes actions that affect spending reported on a State Operating Funds basis, including accounting and reporting changes. If these and other transactions are not implemented or reported as planned, the annual spending change in State Operating Funds would increase above current estimates.

In developing the Financial Plan, DOB attempts to mitigate financial risks from receipts volatility, litigation, and unexpected costs, with an emphasis on the General Fund. It does this by, among other things, exercising caution when calculating total General Fund disbursements and managing the accumulation of financial resources that can be used to offset new costs. Such resources include, but are not limited to, fund balances not needed each year, reimbursement for capital advances, acceleration of tax refunds above the level budgeted each year, and prepayment of expenses. There can be no assurance that such resources will be enough to address risks that may materialize in a given fiscal year.

In FY 2012, the State enacted legislation intended to limit the year-to-year growth in the State's two largest local assistance programs, School Aid and Medicaid. These limitations on spending growth are described further in the following sections.

School Aid

The School Aid growth cap was previously calculated based on the annual growth in the State Personal Income Growth Index (PIGI). With the exception of the 2013 school year increase (based on a five-year average), the PIGI was based on a one-year growth index. However, in FYs 2014 through 2019, the authorized School Aid increases were above the indexed levels. Beginning in FY 2021, the statutory PIGI for School Aid has been amended to limit school aid increases to no more than the average annual income growth over a ten-year period. This change will reduce volatility in allowable growth and align the School Aid cap with the statutory Medicaid cap. Due to the anticipated impact of the COVID-19 pandemic on State revenues, State support for School Aid for SY 2021 in the Enacted Budget is 3.7 percent lower than in SY 2020, but is offset in part with increased Federal support noted below. This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, SY 2021 School Aid is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent.

Medicaid Global Cap

A portion of DOH State Funds Medicaid spending growth is subject to the Global Cap -- the ten-year rolling average of the medical component of the Consumer Price Index (CPI). Thus, the Global Cap allows for growth related to increasing costs but does not account for utilization growth. The statutory provisions of the Global Cap allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster, and grant the Commissioner of Health certain powers to limit Medicaid disbursements to the level authorized by the Global Cap. The Commissioner's powers are intended to limit the annual growth rate to the levels set by the Global Cap indexed rate for the then current fiscal year, through actions which may include reducing reimbursement rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. Major changes to the State share of Medicaid spending, outside of the Global Cap, include State costs for the takeover of Medicaid growth from local governments and reimbursement to providers for increased minimum wage costs. It should be further noted that General Fund spending remains sensitive to revenue performance in the State's HCRA fund that finances approximately one-quarter of DOH State-share costs of Medicaid. Limitations on elective procedures, changes in consumer behavior, and other factors related to the COVID-19 pandemic may have a material and adverse impact on HCRA revenues.

Since enactment of the Global Cap, subject to the management action described below, the portion of DOH State Funds Medicaid spending subject to the Global Cap has remained at or below indexed levels. However, DOH has, at times, taken management actions, including adjustments to the timing of Medicaid payments, consistent with contractual terms, to ensure compliance with the Global Cap.

At the close of FY 2019, DOH deferred, for three business days into FY 2020, the final cycle payment to Medicaid Managed Care Organizations, as well as other payments. The FY 2019 deferral had a State-share value of \$1.7 billion and was paid from available funds in the General Fund in April 2019, consistent with contractual obligations. Absent the deferral and any other actions, Medicaid spending under the Global Cap would have exceeded the statutorily indexed rate for FY 2019 and the State would have used available General Fund resources to fund the payments in FY 2019. According to DOH, the deferral had no impact on provider services and was attributable to growth in managed care and long-term managed care enrollment and utilization costs above initial projections, as well as timing of certain savings actions and offsets not processed by the end of FY 2019.

MRT II Solutions to Global Cap Imbalance

Following the need to defer FY 2019 Medicaid payments, DOB recognized that a structural imbalance existed within the Global Cap based on a review of price and utilization trends, and other factors.⁹ A structural imbalance in this case meant that estimated expense growth in State-share Medicaid subject to the Global Cap, absent measures to control costs, was growing faster than allowed under the Global Cap spending growth index.¹⁰

DOB estimates that, absent actions to control costs, State-share Medicaid spending subject to the Global Cap would have exceeded the indexed growth amount by upwards of \$3 to \$4 billion annually, inclusive of the FY 2019 deferral of \$1.7 billion.

In response to the estimated Global Cap imbalance, the Governor formed the MRT II as part of the FY 2021 Executive Budget with the objective of restoring financial sustainability to the Medicaid program while connecting other programmatic initiatives that would advance the core healthcare strategies he has pursued since taking office in 2011. The Enacted Budget includes \$2.2 billion in recommendations put forward by the MRT II to create efficiencies within the Medicaid program and address the Medicaid imbalance, including identifying efficiencies in Managed Care and Managed Long-Term Care, as well as eligibility and administrative reforms.

Additionally, policy initiatives, including the carve out of services from Managed Care within pharmacy and the centralization of a transportation broker will lead to better transparency and greater efficiencies within these areas. The MRT II also focused on greater program integrity within the Medicaid program and included reforms to modernize regulations to eliminate fraud, waste and abuse.

Through a combination of MRT II recommended actions, continued payment restructuring, and use of General Fund resources, the Medicaid program is expected to stay within statutorily allowable levels in FY 2021 and beyond.

⁹ Factors that place upward pressure on State-share Medicaid spending include but are not limited to: reimbursement to providers for the cost of the increase in the minimum wage; phase-out of enhanced Federal funding; increased enrollment and costs in managed long-term care; and payments to financially distressed hospitals.

¹⁰ Under State law, annual growth in Medicaid spending subject to the Global Cap is limited to the ten-year rolling average of the medical component of the CPI.

The following table summarizes the Medicaid savings actions reflected in the Enacted Budget Financial Plan.

SUMMARY OF MEDICAID SAVINGS ACTIONS				
SAVINGS/(COSTS)				
(millions of dollars)				
	FY 2021	FY 2022	FY 2023	FY 2024
Total Medicaid Savings Actions¹	3,251	2,737	2,754	2,772
Non-MRT II Savings	1,050	0	0	0
MRT II Savings	2,201	2,737	2,754	2,772
Continue FY 2020 Reductions	739	682	682	682
Across the Board (ATB) Rate Reduction (1.0% Annually; Effective 1/1/20)	248	248	248	248
Discontinue Delivery System Reform Incentive Program (DSRIP) Equity Pools	190	190	190	190
Medicaid Managed Care (MMC) Rate Range Reduction	96	96	96	96
Discontinue the Hospital Enhanced Safety Net Program	66	66	66	66
Reduce Mainstream Managed Care (MMC) Quality Pool Payments by 50%	60	60	60	60
Other	79	22	22	22
FY 2021 Budget Year Reductions	1,462	2,056	2,073	2,091
Managed Care	145	134	134	134
Encounter Data Accountability Penalty/Withhold (2.0% on MMC Plans)	143	115	115	115
Authorize Electronic Notifications	2	5	5	5
Other	0	14	14	14
Hospitals	297	304	304	304
H+H Financial Assistance	186	193	193	193
Reduce Indigent Care Pool for Voluntary Hospitals	88	88	88	88
Discontinue Hospital Quality and Sole Community Pools	35	35	35	35
Other	(12)	(12)	(12)	(12)
Long-Term Care	669	1,055	1,055	1,055
Cap Statewide Managed Long-Term Care (MLTC) Enrollment Growth at a Target Percentage and Implement a 3% Withhold	215	215	215	215
Modify Benefit Eligibility Criteria for Personal Care Services (PCS) & Consumer Directed Personal Assistance Program (CDPAS) Benefit	119	277	277	277
Encounter Data Accountability Penalty/Withhold (1.5% on MLTC Plans)	102	89	89	89
Administrative Reforms to the PCS and CDPAS Benefit	82	263	263	263
Delay Community First Choice Option (CFCO) Services	47	47	47	47
Other	104	164	164	164
Care Management	43	70	70	70
Comprehensive Prevention and Management of Chronic Disease	17	37	37	37
Discontinue Health Home Outreach	16	16	16	16
Achieve Health Home (HH) Rate Efficiencies (HH Admission/Step Down Criteria Revisions)	12	16	16	16
Reform Patient Center Medical Homes (PCMH)	6	18	18	18
Establish Plan of Care Incentive/Penalty Payments	5	5	5	5
Other	(13)	(22)	(22)	(22)
Pharmacy	35	130	147	165
Reduce Drug Cap Growth by Enhancing Purchasing Power	46	43	43	43
Transition Pharmacy Benefit to Fee-for-Service (FFS)	(11)	87	104	122
Transportation	75	217	217	217
Public Emergency Certified Public Expenditure (CPE)	38	90	90	90
Reduce Taxi/Livery Rates	35	51	51	51
Maximize Public Transit in NYC	2	26	26	26
Other	0	50	50	50
All Other	198	146	146	146
Additional ATB Rate Reduction (0.5% Annually; Effective 4/1/20)	125	50	50	50
Other	73	96	96	96

¹ Excludes temporary 6.2 percent enhanced FMAP authorized in the CARES Act.

Public Health Insurance Programs/Public Assistance

DOB is monitoring and evaluating the enrollment trends in the State's public health insurance programs, including Medicaid, the Essential Plan, and Child Health Plus, resulting from the COVID-19 pandemic and the corresponding increase in unemployment. Historically, the State has experienced growth in Medicaid enrollment and public assistance caseloads during economic downturns resulting from increased unemployment. The Financial Plan will be updated as needed during the year as more data becomes available on actual enrollment, caseloads, unemployment, and affected industries.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to and recover from acute crises or emergencies such as severe weather events, disasters and disease outbreaks. Many policies that drive this Federal aid are subject to possible changes by the Trump Administration and Congress. Current Federal aid projections and the assumptions on which they rely are subject to revision because of changes in Federal policy.

Similarly, the Financial Plan may also be adversely affected by other Federal government actions including audits, disallowances, and changes to Federal participation rates or other Medicaid rules. For instance, the Financial Plan includes reimbursement to the Federal government of \$100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare & Medicaid Services (CMS). The agreement resolved a pending disallowance for FY 2011 and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State must adjust the Federal/State share of future Medicaid costs to reimburse the Federal government. The State used \$850 million in Extraordinary Monetary Settlement payments, previously set aside for financial risks, to finance the initial repayment amount in FY 2016.

Current Federal Aid

President Trump proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018, 2019, and 2020 which were largely rejected in the final appropriations bills approved for each of those years.

The Bipartisan Budget Act of 2019 (BBA 19) increased the discretionary spending caps set by the Budget Control Act of 2011 for the final two years that the caps are in place under current law – FFYs 2020 and 2021. The FFY 2021 budget process began with the release of the President's budget proposal in February 2020. The proposal continued the President's prior calls for cuts to many programs, including discretionary spending levels below those authorized in BBA 19.

Federal Coronavirus Response Legislation

The Federal government has approved legislation and taken administrative actions intended to stabilize financial markets, extend aid to businesses and individuals, and reimburse governments for the direct costs of pandemic response. For a majority of the enacted legislation, the economic benefits do not flow to or through the State's Financial Plan, but instead flow directly to individuals in the form of tax rebates, and to large and small businesses in the form of loans or grants. Specifically, the Federal government enacted four pieces of legislation in response to the ongoing COVID-19 pandemic:

(i) The Coronavirus Preparedness and Response Supplemental Appropriations Act which provides an initial \$8 billion in emergency funding to respond to the COVID-19 pandemic, including support for vaccine development, the Public Health Emergency Preparedness program, and small businesses;

(ii) The Families First Coronavirus Response Act provides \$192 billion in aid, and includes paid sick leave, free testing, expanded food assistance and unemployment benefits, protections for health care workers, and increased Medicaid funding in response to the COVID-19 pandemic;

(iii) Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides approximately \$1.8 trillion in aid for Federal agencies, individuals, businesses, states and localities to respond to the COVID-19 pandemic, and authorized the Federal Reserve Bank to purchase revenue and bond anticipation notes of states and certain local governments through the Municipal Liquidity Facility, and;

(iv) The Paycheck Protection Program and Health Care Enhancement Act provides \$484 billion in funding for small business programs, hospitals, and testing activities.

State Fiscal Relief

Together, the new laws are expected to drive approximately \$2 trillion in aid to a wide range of recipients in the United States with approximately 90 percent of the total aid included in the CARES Act. Assistance to states through the CARES Act is generally restricted to specific purposes and includes the \$150 billion in the Coronavirus Relief Fund (\$5.1 billion State allocation) and the \$30.75 billion Education Stabilization Fund (\$1.1 billion State allocation). In addition, the Families First Coronavirus Response Act includes an emergency 6.2 percent increase to the Medicaid FMAP during the public health emergency. This is estimated to provide the State with \$1.45 billion in savings in FY 2021.¹¹

In response to the President's major disaster declaration for the State, FEMA is also expected to provide funding for costs related to emergency protective measures conducted as a result of the COVID-19 pandemic. The State will also receive additional Federal aid in the form of enhanced Unemployment Insurance funding.

¹¹ Financial Plan reflects six months of aid retroactive to January 2020.

The Financial Plan assumes that the Federal aid will fully fund the direct costs of the State's pandemic response efforts. Aid is expected through FEMA disaster assistance grants and aid, and the Coronavirus Relief Fund. Accordingly, the Financial Plan reflects no net costs from COVID-19 related expenses. There can be no assurance that Federal funding will be received at the level and on the timetable assumed in the Financial Plan.

Liquidity Support

The Municipal Liquidity Facility (MLF) was established by the Federal Reserve based on funding provided in the CARES Act to support the financial stability of state and local governments impacted by the COVID-19 pandemic. Subject to change, the MLF is authorized to purchase up to \$500 billion in bonds through December 31, 2020 from U.S. states and the District of Columbia, U.S. cities with populations of at least 250,000 residents, and U.S. counties with at least 500,000 residents and multi-state entities, to help state and local governments manage cash flow. The MLF is intended to facilitate the purchase of short-term notes from qualifying states, counties, cities and municipalities, which will in turn provide proceeds that will enable government entities to manage reductions in cash flow and increases in expenses related to the COVID-19 pandemic. DOB will continue to evaluate how to best utilize the MLF as more information becomes available.

Additional Federal Support Needed

The Federal legislation provides almost no unrestricted aid to replace the severe loss in expected State tax receipts. As of the date of this AIS, the U.S. House of Representatives adopted legislation to provide such aid to the states and local governments, but no consensus has been reached. Therefore, the State cannot count on additional Federal aid and must move ahead with imposing deep, widespread reductions to local aid programs and agency operations to provide for a balanced budget in FY 2021. If unrestricted aid becomes available, or tax receipts rebound unexpectedly, the planned reductions may become less severe. The State is actively engaging with Federal representatives to secure the needed aid.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the Federal Medicaid statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients. Changes made initially in the Affordable Care Act (ACA) to reduce the aggregate amount of Federal reimbursements for DSH payments are scheduled to take effect in FFY 2021, beginning December 1, 2020, reflecting recent provisions included in the CARES Act. The State estimates that if the changes take effect as scheduled, New York hospitals will lose \$5.9 billion when the ACA is fully phased in. This would be the largest reduction in Federal DSH payments among all states.

Essential Plan (EP)

New York State's Basic Health Program EP continues to be at risk of reduced Federal funding. In response, litigation brought by the State allowed for a partial recoupment of withheld funding through changes to the FY 2018 reimbursement methodology.

In response to the lawsuit, the Trump Administration finalized additional changes to the reimbursement formula which further decreased the amount of Federal support for the EP, which continues to put the Financial Plan at risk. Despite the uncertainty, the Financial Plan continues to reflect funding for the EP program.

MRT Medicaid Waiver

The CMS and the State have an existing agreement authorizing up to \$8 billion in Federal funding through March 31, 2021 to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding was provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver. Since January 1, 2014, in accordance with provisions of the ACA, the State has been eligible for enhanced FMAP funding associated with childless adults.

Due to the demonstrated success of the DSRIP waiver, the State submitted a waiver request to CMS on November 25, 2019, seeking an extension of the original waiver to authorize the remaining \$625 million of spending in FY 2021 for an additional period of four years (through FY 2024) and up to \$8 billion in additional Federal funding for continued health care beginning in FY 2022.

However, CMS denied the State's request on February 21, 2020. CMS' denial was on the basis that the original DSRIP award was time-limited and meant to be a one-time investment, and that it was not in a position to authorize a conceptual agreement beyond the current demonstration program. While the State's requested amendment was denied, the State submitted a subsequent 1115 Medicaid waiver request that aligns with the expiration of the MRT Waiver on March 31, 2021. The COVID-19 1115 Waiver was submitted to CMS on May 11, 2020 and would provide the State with \$1.9 billion and new flexibilities to respond to the public health emergency.

Federal Debt Limit

The Bipartisan Budget Act of 2019 (BBA 19) suspended the Federal debt limit through July 31, 2021 and brought to a close the extraordinary measures that the U.S. Treasury had been operating under since the prior suspension expired on March 1, 2019. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on national and State economies, financial markets, and intergovernmental aid payments. Specific effects on the Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggests that the State's revenue loss could be substantial if there was an economic downturn due to a Federal default.

A payment default by the Federal Government may adversely affect the municipal bond market. Municipal issuers, including the State, could face higher borrowing costs and impaired access to capital markets. 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.

Federal Tax Law Changes

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (TCJA) (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which were effective in Tax Year 2018. The Federal tax law made extensive changes to Federal personal income taxes, corporate income taxes, and estate taxes.

The State's income tax system interacts with the Federal system in numerous ways. Changes to the Federal tax code have significant flow-through effects on State tax burdens and State tax receipts. From the standpoint of certain individual New York State taxpayers, the \$10,000 limit on the deductibility of State and Local Tax (SALT) payments, effective for Tax Year 2018, is substantial. The TCJA's SALT deduction limit represents a large increase in the State's effective tax rate relative to historical experience and may adversely affect New York's economic competitiveness.

The SALT deduction originated with the first Federal income tax implemented to fund the Civil War effort and has been in place continuously since 1913. DOB and the Department of Taxation and Finance (DTF) estimate that the SALT deduction limit raised Federal tax liability for New York taxpayers by roughly \$14 billion for Tax Year 2018, relative to what taxpayers would have paid absent the limitation. Over the course of the eight years the SALT deduction limit is scheduled to be in effect, the State estimates that resident taxpayers who itemize at the Federal level for each year through 2025 will collectively pay an additional \$121 billion in Federal taxes relative to what they would have paid absent the SALT deduction limit.

Moreover, the TCJA contains numerous provisions that may adversely affect residential real estate prices in New York State and elsewhere, of which the SALT deduction limit is the most significant. A loss of wealth associated with a decline in home prices could have a significant impact on household spending in the State through the wealth effect, whereby consumers perceive the rise and fall of the value of an asset, such as a home, as a corresponding increase or decline in income, causing them to alter their spending practices. Reductions in household spending by New York residents, if they were to occur, would be expected to result in lower sales for the State's businesses which, in turn, would cause further reductions in economic activity and employment. Lastly, falling home prices could result in homeowners delaying the sale of their homes. The combined impact of lower home prices and fewer sales transactions could result in lower real estate transfer tax collections.

In sum, the Federal tax law changes may intensify migration pressures and the drag on the value of home prices, thereby posing risks to the State's tax base and current Financial Plan projections.

State Response to Federal Tax Law Changes

In response to the TCJA, the State enacted tax reforms in Tax Year 2018 intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, creation of an optional payroll tax program, and establishment of a new State charitable giving vehicle, as described below.

The State developed the Employer Compensation Expense Program (ECEP) and Charitable Gifts Trust Fund, based on a review of existing laws, regulations, and precedents. However, there can be no assurance that the IRS will allow taxes paid under the ECEP by an electing employer, or donations made by taxpayers to the Charitable Gifts Trust Fund, to be deductible for Federal tax purposes under current law and the TCJA. As noted below, the IRS has issued regulations that impair the ability of taxpayers to deduct donations to the Charitable Gifts Trust Fund from federally taxable income, while receiving State tax credits for such donations.

On July 17, 2018, the State, joined by Connecticut, Maryland, and New Jersey, filed a lawsuit to protect New York taxpayers from the new Federal limit on the SALT deduction. The lawsuit claimed the new SALT limit was enacted to target New York and similarly situated states, interfered with states' rights to make their own fiscal decisions, and disproportionately harmed taxpayers in these states. On September 30, 2019, the Southern District of New York found that the states failed to make a valid legal claim that the SALT limit unconstitutionally encroaches on states' sovereign authority to determine their own taxation and fiscal policies. The State, along with Connecticut, Maryland, and New Jersey, filed a notice of appeal on November 26, 2019, and the states' brief was filed on March 9, 2020.

On June 13, 2019, the IRS issued final regulations (Treasury Decision 9864) that provided final rules and additional guidance on the availability of Federal income tax deductions for charitable contributions, when a taxpayer receives or expects to receive a State or local tax credit for such charitable contributions. In the case of State tax credits received by a taxpayer making a charitable contribution, the regulations require the taxpayer to reduce the Federal income tax deduction by the amount of the State tax credit received for such charitable contribution. This rule does not apply, however, if the value of the State tax credit does not exceed 15 percent of the charitable contribution. The regulations were made retroactive to August 27, 2018 (the date on which the U.S. Treasury and IRS first published proposed regulatory changes).

On July 17, 2019, New York State, joined by Connecticut and New Jersey, filed a Federal lawsuit challenging Treasury Decision 9864. Among other things, the lawsuit seeks to restore the full Federal income tax deduction for charitable contributions, regardless of the amount of any State tax credit provided to taxpayers as a result of contributions made to the Charitable Gifts Trust Fund, in accordance with the precedent since 1917. The states filed a motion for summary judgment on February 28, 2020. If the lawsuit is successful it is expected that donations to the Charitable Gifts Trust Fund in future years could be higher than the \$93 million level of donations made in 2018. See "Impact of State Tax Law Changes on PIT Revenue Bonds" below.

As part of the State tax reforms enacted in 2018, taxpayers may claim reimbursement from the State for interest on underpayments of Federal tax liability for the 2019, 2020 and 2021 Tax Years, if the underpayments arise from reliance on the 2018 amendments to State Tax Law. To receive reimbursement, taxpayers are required to submit their reimbursement claims to DTF within 60 days of making an interest payment to the IRS.

The State would incur costs if taxpayer participation in the ECEP and Charitable Gifts initiatives for the 2019, 2020 and 2021 Tax Years results in Federal determinations of underpayment of Federal income tax. Any cost to the Financial Plan from State reimbursement of interest charges would occur in FY 2021 at the earliest, for determinations on 2019 tax payments due in July 2020 or thereafter.

The Financial Plan does not include any estimate of the magnitude of the possible interest expense to the State, which depends on several factors including the rates of participation in the ECEP; magnitude of donations to the Charitable Gifts Trust Fund; aggregate amount of underpayment attributable to reliance on the 2018 amendments to State Tax Law; amount of time between the due date of the return and the date any Federal determination is issued; interest rate applied; and frequency at which taxpayers submit timely reimbursement claims to the State. Interest on unpaid Federal tax generally accrues from the due date of the return until the date of payment in full. Under current Federal law, the interest rate is determined quarterly and is the Federal short-term rate plus 3 percent, compounded daily.

Employer Compensation Expense Program

Employers that elect to participate in the ECEP will be subject to a 5 percent State tax on all annual payroll expenses in excess of \$40,000 per employee, phased in over three years beginning on January 1, 2019 as follows: 1.5 percent in Tax Year 2019, 3 percent in Tax Year 2020, and 5 percent in Tax Year 2021. Employers must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year. For Tax Year 2019, 262 employers elected to participate in the ECEP and remitted \$1.5 million, with the number of participating employers increasing to 311 for tax year 2020.

The ECEP is intended to mitigate the tax burden for employees affected by the SALT deduction limit. While the TCJA limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business. The ECEP is expected to be State revenue-neutral, with any decrease in New York State PIT receipts expected to be offset by a comparable increase in ECEP revenue. A State PIT credit is

available to employees whose wages are subject to the tax. Any decrease in New York State PIT receipts is expected to be offset by a comparable increase in ECEP revenue because the formula used to calculate the State PIT credit corresponds in value to the ECEP. Remittance of ECEP revenue to the State began in the fourth quarter of FY 2019.

Charitable Gifts Trust Fund

Starting in Tax Year 2018, the Charitable Gifts Trust Fund was established to accept gifts for the purposes of funding health care and education in New York State. Taxpayers who itemize deductions may claim these charitable contributions as deductions on their Federal and State income tax returns. Any taxpayer who makes a donation may also claim a State tax credit equal to 85 percent of the donation amount for the tax year after the donation is made. State PIT receipts will be reduced by the State tax deduction and 85 percent tax credit.¹²

Through FY 2020, the State received \$93 million in charitable gifts deposited to the Charitable Gifts Trust Fund for healthcare and education (\$58 million and \$35 million, respectively). Charitable gifts are appropriated for the authorized purposes.

Impact of State Tax Law Changes on PIT Revenue Bonds

To offset the potential reduction in the level of New York State PIT receipts resulting from activity of the ECEP and donations to the Charitable Gifts Trust Fund, State Finance Law provisions creating the Revenue Bond Tax Fund (RBTF) were amended to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the RBTF, from 25 percent to 50 percent. In addition, the legislation that created the ECEP required that 50 percent of ECEP receipts received by the State be deposited to the RBTF. These changes became effective April 1, 2018.

The amendments also increased the amount of all New York State PIT receipts collected from payroll withholding and ECEP receipts that must be deposited in the RBTF if (a) the State Legislature fails to appropriate amounts required to make all debt service payments on State PIT Revenue Bonds or (b) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, debt service payments and other cash requirements under the applicable financing agreements have not been made when due on the State PIT Revenue Bonds. Under prior law, New York State PIT receipts from payroll withholding were to be deposited to the RBTF until amounts on deposit in the RBTF equaled the greater of 25 percent of annual New York State PIT receipts, or \$6 billion. Under the new law, New York State PIT receipts and ECEP receipts are deposited to the RBTF until amounts on deposit in the RBTF equal the greater of 40 percent of the aggregate of annual New York State PIT receipts and ECEP receipts, or \$12 billion.

¹² State University of New York (SUNY) Research Foundation, CUNY Research Foundation, and Health Research, Inc. are allowed to accept up to \$10 million each in charitable gifts on an annual basis. The State PIT receipts will also be reduced by the State tax deduction and an 85 percent credit for those donations that will be available beginning in Tax Year 2019.

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. If Treasury Decision 9864 is upheld in Federal court, taxpayer participation in the future will likely be reduced. However, if the legal challenge is successful in restoring the full Federal tax deduction for charitable contributions, donations to the Charitable Gifts Trust Fund in future years could be higher than in 2018, when donations totaled \$93 million. In such event, the amount of donations to the Charitable Gifts Trust Fund would pose a risk to the amount of New York State PIT receipts deposited to the RBTF in future years. To address this risk, the State increased the amount of PIT receipts deposited to the RBTF from 25 percent to 50 percent as part of the State tax reforms enacted in 2018.

DOB and DTF performed a calculation of the maximum amount of charitable donations to the Charitable Gifts Trust Fund that could occur annually under varying assumptions. This calculation of the maximum amount of potential contributions to the Charitable Gifts Trust Fund was intended to serve as a stress test on State PIT receipts that may flow to the RBTF under different levels of assumed taxpayer participation. Accordingly, the calculation should not, under any circumstances, be viewed as a projection of likely donations in any future year. The factors that may influence donation activity are complex and include, but are not limited to, possible statements, actions, or interpretive guidance by the IRS or others relating to the deductibility of such donations; the liquidity position, risk tolerance, and knowledge of individual taxpayers; advice or guidance of tax advisors or other professionals; changes in general economic conditions; adoption of similar trusts in other states; and tax reciprocity agreements among states.

The calculation of the maximum amount of potential donations from Tax Year 2020 through 2023 is on average in the range of \$25 billion annually. The calculation assumes that every resident taxpayer who has an incentive to donate will do so, and such donations will be equal to the total value of each resident taxpayer's SALT payments, less the value of the \$10,000 Federal SALT deduction limit, up to the value of the taxpayer's total State tax liability. The calculation is dependent on several assumptions concerning the number of itemized filers. It relies on the most recent PIT population study file, as trended forward, as well as the impact of the TCJA and State law changes on the number and distribution of itemized and standardized filers. The calculation also assumes that (a) no further changes in Federal tax law occur, and (b) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Financial Plan are materially accurate.

In general, assumptions made regarding taxpayer behavior were intended to maximize the calculated impact of charitable giving on PIT receipts in each year. After factoring in all the foregoing adjustments and with inclusion of ECEP revenues, RBTF receipts are projected to remain above the level of receipts that would have been expected under statutes in effect prior to April 2018, even in a maximum participation scenario.

The DOB and DTF calculation of the projected maximum amount of potential contributions to the Charitable Gifts Trust Fund is necessarily based on many assumptions that may change materially over time. While DOB believes that these factors can be expected to constrain donation activity, there can be no assurance that, under conditions of maximum participation, the amount of annual charitable gifts will not reduce the level of PIT receipts deposited into the RBTF below the levels projected in February 2018 before State tax reforms were enacted. If that were to occur, it is DOB's expectation that changes to the tax law would be recommended to further increase the percentage of PIT receipts deposited into the RBTF.

Climate Change Adaptation

Climate change poses significant long-term threats to physical, biological and economic systems in New York and around the world. 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. The potential effects of climate change could adversely impact the Financial Plan in current or future years. To mitigate and manage these impacts, significant long-term planning and investments by the Federal government, the State, municipalities, and public utilities are expected to be needed to adapt existing infrastructure to climate change risks.

The State continues to recover from the damage sustained during three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding in various counties. In September 2011, Tropical Storm Lee caused flooding in additional counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms present economic and financial risks to the State. Reimbursement claims for costs of the immediate response, recovery, and future mitigation efforts continue, largely supported by Federal Funds. In January 2013, the Federal government approved approximately \$60 billion in Federal disaster aid for general recovery, rebuilding, and mitigation activity nationwide in response to Superstorm Sandy. To date, a total of \$28.9 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks to the State and its localities.

Financial market participants are increasingly acknowledging climate change risks. In June 2017, an industry-led Task Force on Climate-Related Financial Disclosure convened by the Financial Stability Board (an international body which monitors the global financial system), published recommendations stating that climate risk affects most market sectors and that climate-related risk should be publicly disclosed to investors in annual financial filings.¹³ In November 2017, Moody's Investors Service issued guidance to state and local governments that climate change is forecast to heighten exposure to economic losses, placing potential pressure on credit ratings. The Moody's report identified rising sea levels and their effect on coastal infrastructure as the primary climate risks for the northeastern United States, including New York State. These risks are heightened by population and critical infrastructure concentration in coastal counties.

An October 2018 special report released by the Intergovernmental Panel on Climate Change of the United Nations (IPCC) found that human activity has already caused approximately 1.0°C of warming and is continuing to increase average global temperatures at 0.2°C per decade due to past and ongoing emissions. The IPCC states that global warming is likely to reach 1.5°C of warming between 2030 and 2052 if temperatures continue to increase at the current rate. This increase is expected to produce a range of adverse outcomes ("reasons for concern"). For example, the IPCC rates global risks of extreme weather events and coastal flooding as increasing from moderate ("detectable") today, to high ("severe and widespread") at 1.5°C of warming. The risk of severe impacts increases further at higher temperatures. Using current trends, climate change risks increasingly fall within the term of current outstanding bonds of the State, its public authorities and municipalities. State bonds may be issued with a term of up to 30 years under State statute.

The State is participating in efforts to reduce greenhouse gas emissions in order to mitigate the risk of severe impacts from climate change. The Climate Leadership and Community Protection Act of 2019 set the State on a path toward developing regulations to reduce statewide greenhouse gas emissions to 85 percent below the 1990 level by 2050. As part of this target, the State plans to fully transition its electricity sector away from carbon emissions by 2040. The State is a member of the Regional Greenhouse Gas Initiative (RGGI) and has used a cap and trade mechanism to regulate carbon dioxide emissions from electric power plants since 2008.

¹³ For further context to the June 2017 disclosure recommendations, the Financial Stability Board was asked by an international coalition of G20 Finance Ministers and Central Bank Governors to address concerns that undisclosed climate risk could destabilize global financial markets.

Extraordinary Monetary Settlements

Beginning in FY 2015, the State began receiving Extraordinary Monetary Settlements for violations of State laws by major financial institutions and other entities. The table below lists the receipts by firm and amount. Effective April 1, 2019, DOB no longer classifies or distinctly identifies any settlement of less than \$25 million as an Extraordinary Monetary Settlement.

SUMMARY OF RECEIPTS OF EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)								
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Extraordinary Monetary Settlements	4,942	3,605	1,317	805	1,186	895	80	12,830
Aetna Insurance Company	0	0	0	0	2	0	0	2
Agricultural Bank of China	0	0	215	0	0	0	0	215
American International Group, Inc.	35	0	0	0	0	0	0	35
Athene Life Insurance	0	0	0	0	15	0	45	60
AXA Equitable Life Insurance Company	20	0	0	0	0	0	0	20
Bank Leumi	130	0	0	0	0	0	0	130
Bank of America	300	0	0	0	0	0	0	300
Bank of America Merrill Lynch	0	0	0	0	42	0	0	42
Bank of Korea	0	0	0	0	0	0	35	35
Bank of Tokyo Mitsubishi	315	0	0	0	0	0	0	315
Barclays	0	670	0	0	15	0	0	685
BNP Paribas	2,243	1,348	0	350	0	0	0	3,941
Chubb	0	0	0	0	1	0	0	1
Cigna	0	0	0	2	0	0	0	2
Citigroup (State Share)	92	0	0	0	0	0	0	92
Commerzbank	610	82	0	0	0	0	0	692
Conduent Education Services	0	0	0	0	1	0	0	1
Credit Agricole	0	459	0	0	0	0	0	459
Credit Suisse AG	715	30	0	135	0	0	0	880
Deutsche Bank	0	800	444	0	205	0	0	1,449
FedEx	0	0	0	0	26	0	0	26
Goldman Sachs	0	50	190	0	55	0	0	295
Google/YouTube	0	0	0	0	0	34	0	34
Habib Bank	0	0	0	225	0	0	0	225
Intesa SanPaolo	0	0	235	0	0	0	0	235
Lockton Affinity	0	0	0	0	7	0	0	7
Mashreqbank	0	0	0	0	40	0	0	40
Mega Bank	0	0	180	0	0	0	0	180
MetLife Parties	50	0	0	0	20	0	0	70
Morgan Stanley	0	150	0	0	0	0	0	150
MUFG Bank	0	0	0	0	0	33	0	33
Nationstar Mortgage	0	0	0	0	5	0	0	5
New Day	0	1	0	0	0	0	0	1
Ocwen Financial	100	0	0	0	0	0	0	100
Oscar Insurance Company	0	0	0	0	1	0	0	1
PHH Mortgage	0	0	28	0	0	0	0	28
PricewaterhouseCoopers LLP	25	0	0	0	0	0	0	25
Promontory	0	15	0	0	0	0	0	15
RBS Financial Products Inc.	0	0	0	0	100	0	0	100
Société Générale SA	0	0	0	0	498	0	0	498
Standard Chartered Bank	300	0	0	0	40	322	0	662
Unicredit	0	0	0	0	0	506	0	506
UBS	0	0	0	0	41	0	0	41
Volkswagen	0	0	32	33	0	0	0	65
Wells Fargo	0	0	0	0	65	0	0	65
Western Union	0	0	0	60	0	0	0	60
William Penn	0	0	0	0	6	0	0	6
Other Settlements	7	0	(7)	0	1	0	0	1

The table below summarizes the past and planned uses of Extraordinary Monetary Settlements received. The planned use of settlements will be evaluated in light of economic conditions and fiscal needs arising from the COVID-19 outbreak.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)								
	FYs							Total
	2015 - 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
Opening Settlement Balance in General Fund	0	4,194	2,610	2,185	1,226	479	134	0
Receipt of Extraordinary Monetary Settlements	11,855	895	80	0	0	0	0	12,830
Use/Transfer of Funds	7,661	2,479	505	959	747	345	134	12,830
Capital Purposes:	4,134	1,345	425	959	747	345	134	8,089
Dedicated Infrastructure Investment Fund	3,374	939	1,130	877	525	330	134	7,309
Environmental Protection Fund	120	0	0	0	0	0	0	120
Mass Transit	70	3	7	2	2	1	0	85
Healthcare	24	132	80	30	45	14	0	325
Clean Water Grants	0	0	25	50	175	0	0	250
Javits Center Expansion	546	271	183	0	0	0	0	1,000
Bond Proceed Receipts for Javits Center Expansion	0	0	(1,000)	0	0	0	0	(1,000)
Other Purposes:	3,122	6	0	0	0	0	0	3,128
Audit Disallowance - Federal Settlement	850	0	0	0	0	0	0	850
CSX Litigation Payment	76	0	0	0	0	0	0	76
Financial Plan - General Fund Operating Purposes	1,807	0	0	0	0	0	0	1,807
Mass Transit Operating	10	0	0	0	0	0	0	10
MTA Operating Aid	194	0	0	0	0	0	0	194
Department of Law - Litigation Services Operations	180	6	0	0	0	0	0	186
OASAS Chemical Dependence Program	5	0	0	0	0	0	0	5
Reservation of Funds:	405	1,128	80	0	0	0	0	1,613
Rainy Day Reserves	250	238	0	0	0	0	0	488
Reserve for Economic Uncertainties	0	890	80	0	0	0	0	970
Reserve for Retroactive Labor Agreements	155	0	0	0	0	0	0	155
Closing Settlement Balance in General Fund	4,194	2,610	2,185	1,226	479	134	0	0

Current Labor Negotiations and Agreements (Current Contract Period)

On December 18, 2019, the State and the Police Benevolent Association of New York State (PBANYS) conferred authority to a public arbitration panel to issue a final and binding arbitration award covering the four-year period April 1, 2015 to March 31, 2019 (FY 2016 to FY 2019). The award provides a 2 percent general salary increase in each fiscal year and additional compensation, which is partially offset by benefit design changes within New York State Health Insurance Program (NYSHIP) and reductions in overtime costs. The cost of this award has been reflected in the multi-year spending projections in the Financial Plan for the affected agencies.

The State has multi-year labor agreements in place with most of the unionized workforce and continues to negotiate new agreements with the Public Employees Federation (PEF), the Council 82 Security Supervisors Unit and the Police Benevolent Association of New York State (PBANYS).

The Civil Service Employees Association (CSEA) and DC-37 (Local 1359 Rent Regulation Service Employees) have five-year labor contracts that provide annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs. Salary increases provided to CSEA and DC-37 (Local 1359) employees were also extended to Management/Confidential (M/C) employees.

The United University Professions (UUP) has a six-year labor contract (2017 through 2022). The contract provides for 2 percent general salary increases annually and additional compensation changes, which are partly offset by benefit design changes within NYSHIP.

The Graduate Student Employees Union (GSEU) has a four-year labor contract that provides for 2 percent general annual salary increases for 2020 through 2023.

The Professional Staff Congress at CUNY has a six-year labor contract (2018 through 2023). The contract provides for annual 2 percent general salary increases commencing October 1, 2018.

The Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have five-year collective bargaining agreements for FY 2019 through FY 2023. The agreements provide for 2 percent general salary increases in each year of the contracts and additional compensation changes, which are partly offset by benefit design changes within NYSHIP.

The New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) has a seven-year labor contract (FY 2017 through FY 2023). The contract provides for 2 percent general salary increases in each year of the agreement and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs.

Contract periods and related general salary increases for State employee union contracts are summarized below.

UNION LABOR CONTRACTS											
	Contract Period	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
NYSTPBA	FY 2019 - FY 2023	2%	2%	1.5%	1.5%	2%	2%	2%	2%	2%	TBD
NYSPIA	FY 2019 - FY 2023	2%	2%	1.5%	1.5%	2%	2%	2%	2%	2%	TBD
NYSCOPBA	FY 2017 - FY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%	TBD
GSEU	AY 2020 - AY 2023	2%	2%	2%	2%	2%	2%	2%	2%	2%	TBD
CUNY	AY 2018 - AY 2023	2.5%	2%	2%	1.5%	2%	2%	2%	2%	2%	TBD
UUP	AY 2017 - AY 2022	2%	2%	2%	2%	2%	2%	2%	2%	TBD	TBD
CSEA	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD	TBD	TBD
DC-37	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD	TBD	TBD
PEF	FY 2017 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD	TBD	TBD
PBANYS	FY 2016 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD	TBD	TBD
COUNCIL 82	FY 2010 - FY 2016	2%	2%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

The Judiciary also has contracts in place with all 12 unions represented within its workforce. The contract periods are as follows: FY 2018 to FY 2020 for CSEA; FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association; and FY 2020 to FY 2021 for the remaining eight unions.

In general, agencies are expected to continue to fund salary increases within their operating budgets. However, certain agencies that provide institutional care, such as the Department of Corrections and Community Supervision (DOCCs) and mental hygiene agencies, as well as the State Police, have been allowed to increase their annual operating budgets.

Due to the adverse financial impacts from the COVID-19 pandemic, the State is withholding, for a minimum of 90 days, the general salary increases that were scheduled to go into effect on April 1, 2020. The current Financial Plan reflects only the liquidity benefit of the withholding. If a decision is made to withhold the full amount for the fiscal year, it would provide savings of \$260 million in FY 2021 and offset the need for reductions elsewhere in the budget.

Pension Contributions

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). This section discusses contributions from the State, including the Judiciary, to the NYSLRS, which account for the majority of the State's pension costs.¹⁴ All projections are based on estimated market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, NYSLRS announced that employer contribution rates would decrease beginning in 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 4.9 percent to 3.8 percent, and for PFRS the scale was reduced from 6 percent to 4.5 percent. During FY 2019, salary scale assumptions were further changed via a one-time 10 percent increase for both ERS and PFRS, which was reflected in FY 2020 contribution rates.

In August 2019, the actuary for NYSLRS issued the Annual Report to the Comptroller on Actuarial Assumptions, which provided a reduction in the State pension fund's assumed long-term rate of return on investments from 7 percent to 6.8 percent. The estimated average employer contribution rate for the ERS will remain stable at 14.6 percent of payroll due to offsetting gains from a change in the mortality improvement scale and new Tier 6 entrants. However, the estimated average employer contribution rate for the PFRS will increase by 0.9 percent, from 23.5 percent to 24.4 percent of payroll (the assumed rate reduction had more leverage in PFRS due to the maturity of the system).¹⁵

The FY 2021 ERS/PFRS pension estimate of \$2.3 billion relied upon the State Comptroller's February 7, 2020 report, which reflects a reduction in the assumed rate of return and other increases, partially offset by the use of a new mortality improvement scale and lower cost Tier 6 entrants. The State will continue to pay \$432 million towards the balance outstanding on prior-year deferrals. OSC does not forecast pension liability estimates beyond the budget year, thus estimates for FY 2022 and beyond are developed by DOB. DOB's forecast assumes growth in the salary base consistent with collective bargaining agreements and a stable rate of return. The current Financial Plan forecast does not reflect the potential losses in asset value as a result of the COVID-19 outbreak and recession.

¹⁴ The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both the SUNY and the State Education Department (SED), the Optional Retirement Program (ORP) for both SUNY and SED, and the New York State Voluntary Defined Contribution Plan (VDC).

¹⁵ Average contribution rates include the Group Life Insurance Plan (GLIP), and thus differ from the system average normal rates reported in the pension amortization section.

The pension liability also reflects changes to military service credit provisions found in Section 1000 of the Retirement and Social Security Law (RSSL) enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may, upon application, receive extra service credit for up to three years of military duty if such veterans (a) were honorably discharged, (b) have achieved five years of credited service in a public retirement system, and (c) have agreed to pay the employee share of such additional pension credit. Costs to the State for employees in the ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year. Costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g., FY 2017 costs were first billed in FY 2019). Additionally, Section 25 of the RSSL requires the State to pay the ERS employer contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits that are newly incurred in a given fiscal year. The ERS cost to the State (including costs covered for local ERS) was \$16 million in FY 2020 based on actual credit purchased through December 31, 2019. DOB currently estimates annual ERS costs of \$7 million in FY 2021 and beyond, as additional veterans become eligible to purchase the credit.

Pension Amortization

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

The State and local governments are required to begin repayment on each new amortization in the fiscal year immediately following the year in which the amortization was initiated. The full amount of each amortization must be repaid within ten years at a fixed interest rate determined by OSC. Legislation included in the FY 2017 Enacted Budget authorized the State to prepay a portion of remaining principal associated with an amortization, and then pay a lower recalculated interest installment in any subsequent year for which the principal has been prepaid. This option does not allow the State to delay the original ten-year repayment schedule, nor does it allow for the interest rate initially applied to the amortization amount to be modified.

The portion of an employer's annual pension costs that may be amortized is determined by comparing the employer's amortization-eligible contributions as a percentage of employee salaries (i.e., the normal rate¹⁶) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a statutory formula, and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer-specific graded rate based on the employer's own tier and plan demographics.

¹⁶ For the purpose of this discussion, the "normal rate" refers to all amortization-eligible costs (i.e., normal and administrative costs, as well as certain employer-provided options such as sick leave credit) divided by salary base.

Neither the State nor the Office of Court Administration (OCA) have amortized pension costs since FY 2016.

The amortization threshold is equal to the normal rate and is projected to remain so in the upcoming fiscal years. The following table reflects projected pension contributions and amortizations exclusively for Executive branch and Judiciary employers participating in ERS and PFRS.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS (millions of dollars)									
Fiscal Year	Statewide Pension Payments ¹				Interest Rate on Amortization Amount (%) ³	Rates for Determining (Amortization Amount) / Excess Contributions			
	Normal Costs ²	(Amortization Amount) / Excess Contributions	Repayment of Amortization	Total Statewide Pension Payments		System Average Normal Rate ⁴		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.00	11.5	18.1	9.5	17.5
2012	2,037.5	(562.8)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,077.9	(778.5)	100.9	1,400.3	3.00	18.5	25.7	11.5	19.5
2014	2,633.6	(937.0)	192.1	1,888.7	3.67	20.5	28.9	12.5	20.5
2015	2,328.8	(713.1)	305.7	1,921.4	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.2)	390.0	2,005.9	3.21	17.7	24.7	14.5	22.5
2017	1,789.0	0.0	432.2	2,221.2	2.33	15.1	24.3	15.1	23.5
2018	1,788.7	0.0	432.2	2,220.9	2.84	14.9	24.3	14.9	24.3
2019	1,770.2	0.0	432.2	2,202.4	3.64	14.4	23.5	14.4	23.5
2020	1,782.2	0.0	432.2	2,214.4	2.55	14.2	23.5	14.2	23.5
2021 Est.	1,908.4	0.0	432.2	2,340.6	TBD	14.1	24.4	14.1	24.4
----- Projected by DOB ⁵ -----									
2022	2,206.3	0.0	399.9	2,606.2	TBD	15.0	25.0	15.0	25.0
2023	2,403.5	0.0	331.3	2,734.8	TBD	15.5	25.5	15.5	25.5
2024	2,494.7	0.0	240.1	2,734.8	TBD	16.5	26.5	16.5	26.5

¹ Pension Contribution values in this table do not include pension costs related to the ORP, VDC, and TRS for SUNY and SED, whereas the projected pension costs in other Financial Plan tables include such pension disbursements.

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

³ Interest rates are determined by the Comptroller based on the market rate of return on comparable taxed fixed income investments (e.g., Ten-Year Treasuries). The interest rate is fixed for the duration of the ten-year repayment period.

⁴ The system average normal rate represents system-wide amortization-eligible costs (i.e. normal and administrative costs, as well as the cost of certain employer options) as a percentage of the system's total salary base. The normal rate does not include the following costs, which are not eligible for amortization: Group Life Insurance Program (GLIP) contributions, deficiency contributions, previous amortizations, incentive costs, costs of new legislation in some cases, and prior-year adjustments. "(Amortized) / Excess Contributions" are calculated for each employer in the system using employer-specific normal rates, which may differ from the system average.

⁵ Outyear projections are prepared by DOB. The retirement system does not prepare, or make available, outyear projections of pension costs.

The “Normal Costs” column shows the State’s underlying pension cost in each fiscal year, before the effects of amortization. The “(Amortization Amount) / Excess Contributions” column shows amounts amortized. The “Repayment of Amortization” column provides the amount paid in principal and interest towards the outstanding balance on prior-year amortizations. The “Total Statewide Pension Payments” column provides the State’s actual or planned pension contribution, including amortization. The “Interest Rate on Amortization Amount (%)” column provides the interest rate at which the State will repay the amortized contribution, as determined by OSC. The remaining columns provide information on the normal rate and graded rate, which are used to determine the maximum allowed "(Amortized)" amount or the mandatory "Excess Contributions" amount for a given fiscal year.

Social Security

The CARES Act, in response to impacts caused by the COVID-19 pandemic, allows employers to defer the deposit and payment of the employers' share of Social Security taxes through December 2020, to be repaid, interest free, in two equal installments in December 2021 and December 2022. The Executive and the Judiciary have elected to defer the allowable Social Security payments for an estimated savings of \$599 million and \$68 million, respectively.

Other Post-Employment Benefits (OPEB)

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

The State Comptroller adopted Governmental Accounting Standards Board (GASB) Statement (GASBS) 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for the State’s Basic Financial Statements for FY 2019. GASBS 75, which replaces GASBS 45 and GASBS 57, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. GASBS 75 establishes standards for recognizing and measuring liabilities and expenses/expenditures, as well as identifying the methods and assumptions required to be used to project benefit payments, discount projected benefit payments to their actuarial determined present value, and attribute that present value to periods of employee service. Specifically, GASBS 75 now requires that the full liability be recognized. As a result, the March 31, 2018 ending net positive position of \$28.6 billion (previously reported using GASBS 45) in the State's governmental activities was restated to an April 1, 2018 beginning net deficit position of \$3.3 billion upon the implementation of GASBS 75.

The State's total OPEB liability equals the employer's share of the actuarial determined present value of projected benefit payments attributed to past periods of employee service. The total OPEB obligation less any OPEB assets set aside in an OPEB trust or similar arrangement represent the net OPEB obligation.

As reported in the State's Basic Financial Statements for FY 2019, the total ending OPEB liability for FY 2019 is \$63.4 billion (\$50.9 billion for the State and \$12.5 billion for SUNY). The total OPEB liability as of March 31, 2019 was measured as of March 31, 2018 and was determined using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total OPEB liability to March 31, 2018. The total beginning OPEB liability for FY 2019 was \$66.5 billion (\$53.5 billion for the State and \$13 billion for SUNY). The total OPEB liability was calculated using the Entry Age Normal cost method. The discount rate is based on the Bond Buyer 20-year general obligation municipal bond index rate on March 31 (3.86 percent in FY 2018 and 3.89 percent in FY 2019). The total OPEB liability declined by \$3.1 billion during FY 2019, primarily attributable to the difference between expected and actual experience.

The contribution requirements of NYSHIP members and the State are established by, and may be amended by, the Legislature. The State is not required to provide funding above the PAYGO amount necessary to provide current benefits to retirees and has not funded a qualified trust or its equivalent as defined in GASBS 75. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis, meaning the State pays these costs as they become due.

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund"), a qualified trust under GASBS 75 that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit into the Trust Fund, in any given fiscal year, up to 0.5 percent of total then-current unfunded actuarial accrued OPEB liability. The Financial Plan does not currently include any deposits to the Trust Fund.

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

Litigation

Litigation against the State may include, among other things, 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 a description herein but, in the aggregate, could still adversely affect the Financial Plan. For more information, see the "Litigation" section herein.

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. The State's Chief Information Security Office (CISO) within the State's Office of Information Technology Services (ITS) maintains comprehensive policies and standards, programs, and services relating to the security of State government networks and geographic information systems,¹⁷ and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide Cyber Security Review. In addition, the CISO maintains the New York State Cyber Command Center team, which provides a security operations center, digital forensics capabilities, and related procedures for cyber incident reporting and response, distributes real-time advisories and alerts, provides managed security services, and implements statewide information security training and exercises. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful at guarding against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems, State and local infrastructure, and the costs of remedying any such damage could be substantial.

The State has also adopted regulations designed to protect the financial services industry from cyberattacks. Banks, insurance companies and other covered entities regulated by the Department of Financial Services (DFS) are, unless eligible for limited exemptions, required to: (a) maintain a cybersecurity program, (b) create written cybersecurity policies and perform risk assessments, (c) designate a CISO with responsibility to oversee the cybersecurity program, (d) annually certify compliance with the cybersecurity regulations, and (e) report to DFS cybersecurity events that have a reasonable likelihood of materially harming any material part of the entity's normal operation(s) or for which notice is required to any government body, self-regulatory agency, or supervisory body.

¹⁷ Statewide cybersecurity policies can be found at: <https://its.ny.gov/ciso/policies/security>.

Financial Condition of New York State Localities

The State's localities rely in part on State aid to balance their budgets and meet their cash requirements. As such, unanticipated financial need among localities can adversely affect the State's Financial Plan projections. 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 aid distressed local governments. The Restructuring Board performs comprehensive reviews and provides grants and loans on the condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit www.frb.ny.gov.

The wide-ranging economic, health, and social disruptions caused by the COVID-19 outbreak are having an adverse impact on State authorities and localities, including the Metropolitan Transportation Authority (MTA) and the City of New York. The aid-to-localities reductions that will need to be taken as set forth in the Financial Plan may materially and adversely affect the financial position of the MTA, the City of New York, and other localities.

Bond Market

Successful implementation of the Financial Plan is dependent on the State's ability to market bonds. The State finances much of its capital spending, in the first instance, from the General Fund or STIP, which it then reimburses with proceeds from the sale of bonds. If the State or its public authorities cannot sell bonds at the levels (or on the timetable) expected, the State's overall cash position and capital funding plan may be adversely affected. Since the outbreak of the COVID-19 pandemic in the United States, the municipal bond market has experienced significant disruption. The Federal CARES Act created the MLF which authorizes the Federal Reserve Bank to purchase revenue and bond anticipation notes of states and certain local governments. The success of projected public sales of municipal bonds will be subject to prevailing market conditions and related ratings issued by national credit rating agencies, among other factors. 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. The TCJA adversely impacted the State and its public authorities by removing certain refunding opportunities for Federal tax-exempt financing, including advance refundings for debt service savings when interest rates are favorable.

Debt Reform Act Limit

The Debt Reform Act of 2000 (“Debt Reform Act”) restricts the issuance of State-supported debt funding to capital purposes only and limits the maximum term of bonds to 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 new State-supported debt issued after April 1, 2000. DOB, as administrator of the Debt Reform Act, determined that the State was in compliance with the statutory caps in the most recent calculation period.

The Enacted Budget suspends the Debt Reform Act for FY 2021 issuances as part of the State response to the COVID-19 pandemic. Accordingly, any borrowing initiated in FY 2021 is not limited to capital purposes and is not counted towards the statutory caps on debt outstanding and debt service. The suspension of the Debt Reform Act also includes up to \$8 billion of PIT notes and up to \$3 billion of line of credit facilities that were authorized as part of the Enacted Budget, as well as any short or long-term refinancing of such borrowings in future years.

Current projections anticipate that debt outstanding and debt service will continue to remain below limits imposed by the Debt Reform Act, due to the suspension of the debt cap during FY 2021. Based on the most recent personal income and debt outstanding forecasts, the available debt capacity under the debt outstanding cap is expected to decline from \$6.2 billion in FY 2020 to a low point of \$2.3 billion in FY 2024. This calculation excludes all issuances in FY 2021 but includes the estimated impact of funding increased capital commitment levels with State bonds after FY 2021. The cost of debt issued after April 1, 2000 and subject to the statutory cap is projected at \$5.1 billion in FY 2021, or roughly \$3.8 billion below the statutory debt service limit.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Included in Cap ¹	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Excluded from Cap	Total State-Supported Debt Outstanding
FY 2020	\$1,389,760	4.00%	55,590	49,433	6,157	3.56%	0.44%	4,774	54,207
FY 2021	\$1,399,112	4.00%	55,964	46,651	9,313	3.33%	0.67%	12,627	59,278
FY 2022	\$1,369,712	4.00%	54,788	51,068	3,720	3.73%	0.27%	11,705	62,773
FY 2023	\$1,440,600	4.00%	57,624	54,540	3,084	3.79%	0.21%	10,772	65,312
FY 2024	\$1,500,334	4.00%	60,013	57,666	2,347	3.84%	0.16%	9,953	67,619
FY 2025	\$1,561,865	4.00%	62,475	59,876	2,599	3.83%	0.17%	9,101	68,977

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap \$	Debt Service Included in Cap ¹	\$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Excluded from Cap ²	Total State-Supported Debt Service ³
FY 2020	\$177,435	5.00%	8,872	4,820	4,052	2.72%	2.28%	1,130	5,950
FY 2021	\$179,043	5.00%	8,952	5,116	3,836	2.86%	2.14%	5,686	10,802
FY 2022	\$168,826	5.00%	8,441	5,150	3,291	3.05%	1.95%	1,789	6,939
FY 2023	\$172,601	5.00%	8,630	5,659	2,971	3.28%	1.72%	1,698	7,357
FY 2024	\$178,023	5.00%	8,901	6,034	2,867	3.39%	1.61%	1,516	7,550
FY 2025	\$179,395	5.00%	8,970	6,456	2,514	3.60%	1.40%	1,229	7,685

¹ Does not include debt issued prior to April 1, 2000. In addition, debt issued during FY 2021 is not subject to caps pursuant to Chapter 56 of the Laws of 2020.

² Includes liquidity financings expected to be repaid within FY 2021, consisting of \$3B of short-term notes and a \$1.5B draw on a line of credit facility.

³ Total State-supported debt service is adjusted for prepayments.

The State uses personal income estimates published by the Federal government, specifically the Bureau of Economic Analysis (BEA), to calculate the cap on debt outstanding, as required by statute. The BEA revises these estimates on a quarterly basis and such revisions can be significant. The volatility in New York State personal income estimates has prompted DOB to reexamine the way BEA calculates personal income, in particular the apportionment of income among states. For Federal reporting purposes, BEA reassigns income from the state where it was earned to the state in which a person resides, for situations where a person lives and earns income in different states (the “residency adjustment”). The BEA residency adjustment has the effect of reducing reported New York State personal income because income earned in New York by nonresidents regularly exceeds income earned in other states by New York residents. The State taxes all personal income earned in New York, regardless of place of residency. Therefore, including the BEA personal income residency adjustment in the debt cap calculation reduces alignment with the State tax base and understates the PIT revenues available to support State-supported debt. To date, in administering the debt reform cap, DOB has used State personal income, as reduced by the BEA residency adjustment, in debt outstanding cap calculations and projections, which correspondingly reduces the State’s debt capacity under the Debt Reform Act.

Changes in the State's available debt capacity reflect the Enacted Budget’s suspension of the Debt Reform Act for FY 2021 issuances in response to the COVID-19 pandemic, as discussed previously. In addition, debt capacity is impacted by personal income forecast adjustments, debt amortizations, and bond sale results. The State may adjust capital spending priorities and debt financing practices from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP ¹						
REMAINING CAPACITY SUMMARY						
(millions of dollars)						
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected
FY 2021 Executive Budget Financial Plan as Amended	3,731	963	204	82	28	855
Personal Income Forecast Adjustment	41	(1,566)	(5,108)	(4,781)	(5,000)	(5,251)
Capital / Bond Sale Adjustments	2,385	732	(211)	(685)	(763)	(682)
Exempt FY 2021 Issuances ²	0	9,184	8,835	8,468	8,082	7,677
FY 2021 Enacted Budget Financial Plan	6,157	9,313	3,720	3,084	2,347	2,599

¹ Does not include liquidity financings expected to be repaid within FY 2021, consisting of \$3 billion of short-term note issuances and a \$1.5 billion draw on a line of credit facility.

² Debt issued during FY 2021 is not subject to cap pursuant to Chapter 56 of the Laws of 2020.

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals, and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2020, approximately \$135 million of bonds were outstanding under this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014. Since then the State has paid \$157 million for debt service costs. DASNY estimates that the State will pay debt service costs of approximately \$32 million in FY 2021, \$27 million in FY 2022, \$21 million in both FY 2023 and FY 2024, and \$13 million in FY 2025. These amounts are based on the actual experience to date of the participants in the program and would cover debt service costs for one hospital whose debt service obligation was discharged in bankruptcy, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to \$6 million annually, if all hospitals in the program failed to meet the terms of their agreements with DASNY, and if available reserve funds were depleted.

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

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

Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a request for proposals (RFP) seeking a qualified party to provide or arrange to provide health care services at LICH and to purchase the LICH property.

In accordance with the settlement, Holdings has entered into a purchase and sale agreement with (a) the Fortis Property Group (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 (b) New York University (NYU) Hospitals Center (now "NYU Langone"), which proposes to 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. Titles to 17 of the 20 properties were conveyed to the special purpose entities formed by the Purchaser to hold title.

The second closing occurred on March 13, 2020 (the NMS Closing) and title to the New Medical Site (NMS) portion of the LICH property was conveyed to NYU Langone.

The final closing is anticipated to occur within 36 months after the NMS Closing. At the final closing, titles 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 third and final closing is conditioned upon completion of the New Medical Building by NYU Hospitals Center, and relocation of the emergency department to the New Medical Building.

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



***State Financial Plan
Multi-Year Projections***

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Introduction

This section presents FY 2020 results and the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FY 2021 through FY 2024, with an emphasis on FY 2021 projections, which reflect the impact of the Financial Plan.

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

Receipts. The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects estimated tax receipts before distribution to various funds and accounts, including tax receipts dedicated to Capital Projects Funds (which fall outside 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 tax receipts for specific purposes.

Disbursements. Roughly 30 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, and transportation. To provide a clear 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 the Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the Budget, FY 2022, is the most relevant from a planning perspective. In addition, the reliability of all projections is further complicated by the COVID-19 pandemic, given the uncertainty as to its duration and the pace of a sustained recovery.

Differences may occur from time to time between DOB and OSC's financial reports in presentation and reporting of receipts and disbursements. For example, DOB may reflect a net expenditure while OSC may report the gross expenditure. Any such differences in reporting between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and All Governmental Funds).

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

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
RECEIPTS					
Taxes (After Debt Service)	73,133	61,990	63,849	67,402	71,302
Miscellaneous Receipts	3,159	6,373	1,750	1,773	1,811
Other Transfers	2,915	2,579	1,855	1,532	1,352
Total Receipts	79,207	70,942	67,454	70,707	74,465
DISBURSEMENTS					
Local Assistance	51,863	46,400	48,967	52,444	55,585
School Aid	23,522	24,054	24,175	25,210	26,168
Medicaid	16,071	15,616	18,124	19,088	19,993
All Other	12,270	14,730	14,668	16,146	17,424
Budget Balance Reduction	0	(8,000)	(8,000)	(8,000)	(8,000)
State Operations	12,054	11,655	11,539	11,553	11,818
Personal Service	8,940	9,583	9,536	9,699	9,839
Non-Personal Service	3,114	3,052	3,053	3,154	3,279
Budget Balance Reduction	0	(980)	(1,050)	(1,300)	(1,300)
General State Charges	7,454	7,249	9,013	9,559	9,689
Transfers to Other Funds	6,098	7,865	6,915	7,169	6,548
Debt Service	736	1,810	488	501	553
Capital Projects	3,128	3,512	3,747	3,917	3,138
SUNY Operations	1,179	1,273	1,273	1,267	1,267
All Other	1,055	1,270	1,407	1,484	1,590
Total Disbursements	77,469	73,169	76,434	80,725	83,640
Use (Reservation) of Fund Balance:	(1,738)	2,227	1,507	747	345
Community Projects	4	16	0	0	0
Labor Agreements	206	0	0	0	0
Business Tax Refund	202	0	0	0	0
Timing of Payments	(1,313)	1,313	0	0	0
Undesignated Fund Balance	(1,103)	553	548	0	0
Rainy Day Reserves	(428)	0	0	0	0
Economic Uncertainties	(890)	(80)	0	0	0
Extraordinary Monetary Settlements ¹	1,584	425	959	747	345
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	(7,473)	(9,271)	(8,830)

¹ Reflects transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund.

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
RECEIPTS					
Taxes	81,472	74,282	74,187	78,040	81,953
Miscellaneous Receipts/Federal Grants	22,761	22,441	18,359	17,800	17,361
Total Receipts	104,233	96,723	92,546	95,840	99,314
DISBURSEMENTS					
Local Assistance	68,652	61,660	64,686	67,689	70,521
School Aid (School Year Basis) ¹	27,812	26,780	27,918	28,911	29,854
DOH Medicaid ²	22,077	21,822	24,246	25,300	26,283
Transportation	3,488	3,935	3,906	4,094	4,288
STAR	2,184	2,073	1,979	1,858	1,750
Higher Education	2,362	3,518	2,924	2,961	2,991
Social Services	2,355	3,250	2,896	3,010	3,047
Mental Hygiene	3,427	2,223	3,162	3,799	4,437
All Other ³	4,947	6,059	5,655	5,756	5,871
Budget Balance Reduction	0	(8,000)	(8,000)	(8,000)	(8,000)
State Operations	20,168	19,107	19,115	19,170	19,392
Personal Service	14,090	14,641	14,616	14,848	14,999
Non-Personal Service	6,078	5,446	5,549	5,622	5,693
Budget Balance Reduction	0	(980)	(1,050)	(1,300)	(1,300)
General State Charges	8,423	8,296	10,153	10,728	10,843
Pension Contribution	2,456	2,592	2,855	2,990	2,996
Health Insurance	4,303	4,513	4,860	5,219	5,608
All Other	1,664	1,191	2,438	2,519	2,239
Debt Service	4,916	5,838	6,939	7,357	7,550
Capital Projects	0	0	0	0	0
Total Disbursements (Excluding Liquidity Financing)	102,159	94,901	100,893	104,944	108,306
Liquidity Financing	0	4,500	0	0	0
Total Disbursements (Including Liquidity Financing)	102,159	99,401	100,893	104,944	108,306
Net Other Financing Sources/(Uses)	(28)	(291)	(768)	(1,085)	(302)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,046)	2,969	1,642	918	464
General Fund	(1,738)	2,227	1,507	747	345
Special Revenue Funds	(310)	735	140	175	139
Debt Service Funds	2	7	(5)	(4)	(20)
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	(7,473)	(9,271)	(8,830)

¹ FY 2021 does not reflect \$1.1 billion in Federal CARES Act funding.

² Total State share Medicaid funding is reported prior to the spending offset from the application of Master Settlement Agreement (MSA) payments, which are deposited directly to a Medicaid Escrow Fund to cover a portion of the State's takeover of Medicaid costs for counties and New York City. The value of the offset is reported in "All Other" local assistance disbursements. Spending is offset by the benefit of enhanced FMAP for 6.2 percent for 6 months.

³ All Other includes education, parks, environment, economic development, and public safety, as well as the MSA payment offset, and a reconciliation between school year and State fiscal year spending on School Aid.

Receipts

Financial Plan receipts results and projections include a variety of taxes, fees and assessments, charges for State-provided services, Federal grants, and other miscellaneous receipts. Multiyear receipts estimates are prepared by DOB with the assistance of DTF and other agencies which collect State receipts and are premised on economic analysis and forecasts.

Overall base growth (i.e., growth not due to law changes) 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.

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.

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 2021 are projected to total \$179 billion, a 0.9 percent (\$1.6 billion) increase from FY 2020 results. FY 2021 State tax receipts are projected to decrease \$7.3 billion (8.9 percent) from prior year results.

ALL FUNDS RECEIPTS									
(millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
Personal Income Tax	53,660	49,046	-8.6%	47,976	-2.2%	50,732	5.7%	53,862	6.2%
Consumption/Use Taxes	18,021	15,474	-14.1%	16,643	7.6%	17,101	2.8%	17,585	2.8%
Business Taxes	8,996	8,957	-0.4%	8,874	-0.9%	9,403	6.0%	9,592	2.0%
Other Taxes	<u>2,212</u>	<u>2,066</u>	<u>-6.6%</u>	<u>2,054</u>	<u>-0.6%</u>	<u>2,161</u>	<u>5.2%</u>	<u>2,266</u>	<u>4.9%</u>
Total State Taxes	<u>82,889</u>	<u>75,543</u>	<u>-8.9%</u>	<u>75,547</u>	<u>0.0%</u>	<u>79,397</u>	<u>5.1%</u>	<u>83,305</u>	<u>4.9%</u>
Miscellaneous Receipts	29,466	30,669	4.1%	25,859	-15.7%	24,443	-5.5%	23,972	-1.9%
Federal Receipts	<u>65,080</u>	<u>72,833</u>	<u>11.9%</u>	<u>67,419</u>	<u>-7.4%</u>	<u>68,761</u>	<u>2.0%</u>	<u>70,749</u>	<u>2.9%</u>
Total All Funds Receipts	<u>177,435</u>	<u>179,045</u>	<u>0.9%</u>	<u>168,825</u>	<u>-5.7%</u>	<u>172,601</u>	<u>2.2%</u>	<u>178,026</u>	<u>3.1%</u>

The COVID-19 pandemic is projected to have a significant negative impact on tax receipts. Executive Budget Financial Plan forecasts have been revised sharply downward, consistent with the economic analysis outlined in the previous section. The Financial Plan forecast reduces estimated FY 2021 tax receipts by over \$12 billion and projected FY 2022 tax receipts by over \$15 billion.

- Personal income taxes are reduced significantly in FY 2021 with an estimated loss of nearly \$8 billion and a projected \$11 billion annual decline across the financial plan period over the Executive Budget forecasts.
- Consumption/Use taxes and fees are reduced by over \$3 billion with a significant decline in sales and use taxes.
- Business taxes are reduced by nearly \$1 billion in FY 2021 with the largest portion of the decline in corporate franchise taxes.
- Other taxes are reduced by \$274 million in FY 2021 and over \$370 million in the outyears.

Further analysis of each tax component by fiscal year is below.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	53,660	49,046	-8.6%	47,976	-2.2%	50,732	5.7%	53,862	6.2%
Gross Collections	64,985	59,640	-8.2%	60,085	0.7%	63,330	5.4%	66,921	5.7%
Refunds (Incl. State/City Offset)	(11,325)	(10,594)	6.5%	(12,109)	-14.3%	(12,598)	-4.0%	(13,059)	-3.7%
GENERAL FUND¹	24,646	22,450	-9.8%	22,008	-2.0%	23,508	6.8%	25,181	7.1%
Gross Collections	64,985	59,640	-8.2%	60,085	0.7%	63,330	5.4%	66,921	5.7%
Refunds (Incl. State/City Offset)	(11,325)	(10,594)	6.5%	(12,109)	-14.3%	(12,598)	-4.0%	(13,059)	-3.7%
STAR	(2,184)	(2,073)	5.1%	(1,980)	4.5%	(1,858)	6.2%	(1,750)	5.8%
RBTF	(26,830)	(24,523)	8.6%	(23,988)	2.2%	(25,366)	-5.7%	(26,931)	-6.2%

¹Excludes Transfers.

All Funds PIT receipts for FY 2021 are estimated to decrease significantly, primarily reflecting steep declines in withholding and total estimated payments, partially offset by a decrease in total refunds.

The following table summarizes, by component, actual receipts for FY 2020 and forecast amounts through FY 2024.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
(millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
Receipts					
Withholding	43,118	38,752	42,570	44,344	46,269
Estimated Payments	17,025	15,669	12,951	14,091	15,438
Current Year	10,996	9,129	9,683	10,576	11,254
Prior Year ¹	6,029	6,540	3,268	3,515	4,184
Final Returns	3,454	3,608	2,882	3,164	3,431
Current Year	340	316	331	346	367
Prior Year ¹	3,114	3,292	2,551	2,818	3,064
Delinquent	<u>1,388</u>	<u>1,611</u>	<u>1,682</u>	<u>1,731</u>	<u>1,783</u>
Gross Receipts	64,985	59,640	60,085	63,330	66,921
Refunds					
Prior Year ¹	5,928	6,267	7,475	7,645	7,793
Previous Years	531	638	669	700	732
Current Year ¹	2,244	1,751	1,750	1,750	1,750
Advanced Credit Payment	1,505	664	816	979	1,135
State/City Offset ¹	<u>1,117</u>	<u>1,274</u>	<u>1,399</u>	<u>1,524</u>	<u>1,649</u>
Total Refunds	11,325	10,594	12,109	12,598	13,059
Net Receipts	53,660	49,046	47,976	50,732	53,862

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

FY 2021 withholding is estimated to be markedly lower than FY 2020 results, driven by extraordinary declines in both bonus and non-bonus wages. Extension payments related to Tax Year 2019 are projected to increase in response to modest growth in nonwage income. Estimated payments attributable to Tax Year 2020 are expected to substantially decrease, driven by a steep decline in nonwage income. FY 2021 final return payments and delinquencies are both expected to increase.

The decrease in total refunds reflects a steep decrease in advanced credit payments attributable to Tax Year 2020, coupled with a decline in the administrative January-March refund cap. These decreases are partially offset by increases in prior-year refunds related to Tax Year 2019, refunds related to tax years prior to 2019, and the State-City offset. The large decline in advanced credit payments attributable to Tax Year 2020 reflects the expiration of the Property Tax Relief Credit. General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. The FY 2021 STAR transfer is expected to decline. PIT RBTF receipts are statutorily set to 50 percent of net PIT receipts, and FY 2021 RBTF receipts therefore reflect the decrease in All Funds receipts noted above. FY 2021 General Fund PIT is expected to decrease due to these changes.

All Funds FY 2022 receipts are projected to decrease, reflecting sharp declines in Tax Year 2020 extension payments and final returns, coupled with growth in total refunds. These changes are primarily driven by exceptionally weak Tax Year 2020 nonwage income. Revenue declines are partially offset by increases in withholding, Tax Year 2021 current estimated payments, and delinquencies. The FY 2022 STAR transfer is expected to decline. The FY 2022 RBTF is projected to decrease based on the decrease in FY 2022 All Funds receipts. General Fund PIT receipts for FY 2022 are also expected to decrease, driven by the aforementioned changes to All Funds receipts, the STAR transfer, and RBTF receipts.

All Funds PIT receipts for FY 2023 are projected to increase from FY 2022 projections as the State economy recovers. Gross PIT receipts are projected to increase as well, reflecting projected increases in withholding and total estimated payments, partially offset by a projected increase in total refunds.

General Fund PIT receipts for FY 2023 are expected to increase, reflecting an increase in All Funds PIT receipts coupled with a decrease in the STAR transfer, partially offset by an increase in RBTF receipts.

All Funds PIT receipts and General Fund PIT receipts are both expected to increase in FY 2024 reflecting normal baseline growth in income and associated tax liability.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	18,021	15,474	-14.1%	16,643	7.6%	17,101	2.8%	17,585	2.8%
Sales Tax	15,932	13,463	-15.5%	14,608	8.5%	15,105	3.4%	15,626	3.4%
Cigarette and Tobacco Taxes	1,035	971	-6.2%	946	-2.6%	904	-4.4%	864	-4.4%
Vapor Excise Tax	10	14	40.0%	6	-57.1%	6	0.0%	6	0.0%
Motor Fuel Tax	512	454	-11.3%	509	12.1%	507	-0.4%	502	-1.0%
Highway Use Tax	142	131	-7.7%	139	6.1%	139	0.0%	140	0.7%
Alcoholic Beverage Taxes	259	266	2.7%	264	-0.8%	266	0.8%	269	1.1%
Opioid Excise Tax	19	80	321.1%	66	-17.5%	66	0.0%	66	0.0%
Medical Cannabis Excise Tax	6	6	0.0%	6	0.0%	6	0.0%	6	0.0%
Adult Use Cannabis Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Auto Rental Tax ¹	106	89	-16.0%	99	11.2%	102	3.0%	106	3.9%
GENERAL FUND²	8,038	6,934	-13.7%	7,462	7.6%	7,686	3.0%	7,922	3.1%
Sales Tax	7,447	6,292	-15.5%	6,827	8.5%	7,059	3.4%	7,302	3.4%
Cigarette and Tobacco Taxes	313	296	-5.4%	305	3.0%	295	-3.3%	285	-3.4%
Alcoholic Beverage Taxes	259	266	2.7%	264	-0.8%	266	0.8%	269	1.1%
Opioid Excise Tax	19	80	321.1%	66	-17.5%	66	0.0%	66	0.0%

¹No longer includes receipts remitted directly to the MTA without an appropriation beginning in FY 2020.

²Excludes Transfers.

All Funds consumption/use tax receipts for FY 2021 are estimated to decrease significantly from FY 2020 results due to the impacts of the COVID-19 pandemic. Sales tax receipts are estimated to decrease due to a significant decline in taxable consumption (i.e., estimated sales tax base decline of 16.9 percent). The excise taxes on opioids and vapor products are both fully implemented in FY 2021. Vapor products tax receipts are projected to moderately increase from FY 2020 results despite legislation enacted in the Budget to ban all flavored vapor products other than tobacco flavored products. Cigarette and tobacco tax collections are projected to decrease, reflecting a continued decline in taxable cigarette consumption. Highway use tax collections are estimated to decrease, reflecting a decline in demand from the trucking sector related to the economic slowdown and limited travel activities. Motor fuel tax receipts are estimated to decrease due to declines in both gasoline and diesel consumption. Auto rental tax receipts are estimated to decrease, mainly due to extremely limited travel expected early in the fiscal year.

A portion of sales tax receipts is initially deposited to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on bonds issued under the Local Government Assistance Corporation (LGAC) and State Sales Tax Revenue Bond programs, respectively. Receipts in excess of the debt service requirements of these funds and the local assistance payments to New York City, or its assignee, are subsequently transferred to the General Fund.

General Fund consumption/use tax receipts for FY 2021 are estimated to decrease, largely due to the sales and use tax trends noted above.

All Funds consumption/use tax receipts for FY 2022 are projected to increase by more than \$1 billion from FY 2021 estimates. The increase in sales tax receipts reflects a bounce back in taxable consumption with projected base growth of 8.4 percent. The excise tax on opioids is projected to slightly decline, reflecting the absence of a rollover in liability generated during the previous fiscal year. Motor fuel tax, auto rental tax, and highway use tax receipts are all estimated to increase from FY 2021 estimates as the economy and travel activity are expected to improve compared to the prior year. These increases are partially offset by a continued decline in taxable cigarette consumption.

FY 2022 General Fund consumption/use tax receipts are projected to increase, mainly due to the sales and use tax trend noted above.

FY 2023 and FY 2024 All Funds consumption/use tax receipts are projected to increase compared to the prior year, largely reflecting base growth in sales tax receipts, which is slightly offset by a continued decline in taxable cigarette consumption. Similarly, General Fund consumption/use tax receipts are projected to increase in both FY 2023 and FY 2024 primarily due to the All Funds sales and use tax and cigarette tax trends noted above.

Business Taxes

BUSINESS TAXES									
(millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	8,996	8,957	-0.4%	8,874	-0.9%	9,403	6.0%	9,592	2.0%
Corporate Franchise Tax	4,824	4,868	0.9%	4,883	0.3%	5,345	9.5%	5,476	2.5%
Corporation and Utilities Tax	705	640	-9.2%	637	-0.5%	654	2.7%	659	0.8%
Insurance Tax	2,306	2,165	-6.1%	2,269	4.8%	2,327	2.6%	2,389	2.7%
Bank Tax	0	270	0.0%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	1,161	1,014	-12.7%	1,085	7.0%	1,077	-0.7%	1,068	-0.8%
GENERAL FUND	6,370	6,506	2.1%	6,337	-2.6%	6,778	7.0%	6,918	2.1%
Corporate Franchise Tax	3,791	3,882	2.4%	3,852	-0.8%	4,228	9.8%	4,309	1.9%
Corporation and Utilities Tax	518	470	-9.3%	463	-1.5%	477	3.0%	481	0.8%
Insurance Tax	2,053	1,929	-6.0%	2,022	4.8%	2,073	2.5%	2,128	2.7%
Bank Tax	8	225	2712.5%	0	-100.0%	0	0.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

FY 2021 All Funds business tax receipts are estimated to decline slightly, albeit \$1 billion below Executive Budget Financial Plan estimates, driven primarily by a decrease in gross receipts from corporation and utilities taxes, insurance taxes, and petroleum business taxes. These declines are partially offset by increases in bank tax audit receipts and a decline in corporation franchise tax refunds paid.

Corporation franchise tax receipts are estimated to increase slightly in FY 2021, reflecting a reduction in refunds paid and an increase in audit receipts. Refunds are estimated to return to recent historical levels after the previous year included a large refund that was originally anticipated to be paid in FY 2019. Audit receipts are estimated to increase based on anticipated large cases expected to close this fiscal year. Gross receipts are estimated to decline due to projected large declines in corporate profits and investment in equipment and software, in addition to the continued phase-out of the capital base that will be complete in 2021.

Corporation and utilities tax receipts for FY 2021 are estimated to decrease over the prior fiscal year, largely driven by decreases in gross receipts from both the telecommunication and utilities sectors and a decrease in audits. FY 2020 audit receipts more than doubled over the prior year and are expected to return to trend level in FY 2021 while refunds are estimated to increase slightly.

Insurance tax receipts for FY 2021 are estimated to decrease significantly due to a decline in gross receipts. FY 2020 gross receipts increased sharply due to payments covering two liability periods from the conversion of a not-for-profit insurer to a for-profit insurer. Projected declines in corporate profits also contribute to the drop in gross receipts. Audits are estimated to increase to trend levels while refunds paid are expected to decline compared to historically high refunds paid last fiscal year.

Receipts from the repealed bank tax (all from prior liability periods) in FY 2021 are estimated to increase, primarily due to an estimated increase in audits based on large cases expected to close this fiscal year. Petroleum business tax (PBT) receipts are estimated to decrease from FY 2020 results, primarily due to a decline in both gasoline and diesel consumption coupled with the impact of a 2 percent decline in the PBT rate index on January 1, 2020, paired with a projected 5 percent decline in the PBT rate index on January 1, 2021.

General Fund business tax receipts for FY 2021 are estimated to increase due to the trends in bank and corporation franchise tax receipts described above.

General Fund and All Funds business tax receipts for FY 2022 are projected to decline, primarily reflecting a decline in audit receipts from bank taxes. A projected decline in bank taxes and corporation and utilities taxes is offset by projected increases in the corporation franchise tax, insurance tax, and PBT receipts.

General Fund and All Funds business tax receipts for FY 2023 are projected to increase, primarily reflecting increases in corporation franchise tax, insurance taxes, and corporation and utilities taxes. This increase is partially offset by a modest decline in PBT receipts.

General Fund and All Funds business tax receipts for FY 2024 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices.

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
STATE/ALL FUNDS	2,212	2,066	-6.6%	2,054	-0.6%	2,161	5.2%	2,266	4.9%
Estate Tax	1,070	1,100	2.8%	1,028	-6.5%	1,077	4.8%	1,128	4.7%
Real Estate Transfer Tax	1,124	949	-15.6%	1,004	5.8%	1,061	5.7%	1,114	5.0%
Employer Compensation Expense Program	2	4	100.0%	6	50.0%	7	16.7%	7	0.0%
Pari-Mutuel Taxes	14	11	-21.4%	14	27.3%	14	0.0%	14	0.0%
All Other Taxes	2	2	0.0%	2	0.0%	2	0.0%	3	50.0%
GENERAL FUND¹	1,087	1,115	2.6%	1,047	-6.1%	1,097	4.8%	1,148	4.6%
Estate Tax	1,070	1,100	2.8%	1,028	-6.5%	1,077	4.8%	1,128	4.7%
Employer Compensation Expense Program	1	2	100.0%	3	50.0%	4	33.3%	3	-25.0%
Pari-Mutuel Taxes	14	11	-21.4%	14	27.3%	14	0.0%	14	0.0%
All Other Taxes	2	2	0.0%	2	0.0%	2	0.0%	3	50.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2021 are estimated to decrease from FY 2020 results, primarily due to an estimated decrease in real estate transfer tax receipts resulting from large estimated declines in housing starts, housing prices, and bonuses. The real estate transfer tax receipts estimated decrease is partially offset by a slight increase in estate tax receipts, primarily due to the partial-year impact of minor estimated growth in household net worth.

General Fund other tax receipts are estimated to increase, mainly due to the estimated increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 are projected to decrease slightly, primarily due to a decrease in estate tax receipts, reflecting a projected decline in the Wilshire 5000 equity market Index, which measures the performance of U.S. equity securities. This is largely offset by an increase in real estate transfer tax receipts, which is primarily due to projected growth in housing starts, housing sales and housing prices as activity rebounds compared to the prior year.

General Fund other tax receipts for FY 2022 are projected to decrease, due to the decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2023 and FY 2024 are projected to increase, largely due to increases in both estate tax and real estate transfer tax receipts, reflecting projected growth in household net worth, housing starts, and housing prices.

General Fund other tax receipts for FY 2023 and FY 2024 are projected to increase, resulting from the projected increases in estate tax receipts noted above.

Miscellaneous Receipts

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 receipts, Extraordinary Monetary Settlements and a variety of fees. As such, miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, tuition income revenue and other miscellaneous receipts.

MISCELLANEOUS RECEIPTS									
(millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
ALL FUNDS	29,466	30,669	4.1%	25,859	-15.7%	24,443	-5.5%	23,972	-1.9%
General Fund	3,159	6,373	101.7%	1,750	-72.5%	1,773	1.3%	1,811	2.1%
Special Revenue Funds	19,279	15,866	-17.7%	16,399	3.4%	15,819	-3.5%	15,344	-3.0%
Capital Projects Funds	6,551	8,049	22.9%	7,325	-9.0%	6,467	-11.7%	6,433	-0.5%
Debt Service Funds	477	381	-20.1%	385	1.0%	384	-0.3%	384	0.0%

All Funds miscellaneous receipts are projected to total \$30.7 billion in FY 2021, an increase of 4.1 percent from FY 2020 results, driven by the issuance of PIT notes and line of credit (\$3 billion and \$1.5 billion, respectively) in response to the COVID-19 pandemic and increasing bond proceeds.

All Funds miscellaneous receipts are projected to decline annually after FY 2021, reflecting the nonrecurring short-term financing, continued impact of the COVID-19 pandemic and a decrease in bond proceed reimbursements in later years, which corresponds to prior-year capital expenses.

Federal Grants

FEDERAL GRANTS									
(millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	65,080	72,833	11.9%	67,419	-7.4%	68,761	2.0%	70,749	2.9%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	62,897	70,577	12.2%	65,134	-7.7%	66,478	2.1%	68,497	3.0%
Capital Projects Funds	2,109	2,182	3.5%	2,213	1.4%	2,214	0.0%	2,186	-1.3%
Debt Service Funds	74	74	0.0%	72	-2.7%	69	-4.2%	66	-4.3%

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 projections.

All Funds Federal grants projections primarily reflect the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, a temporary increase in the FMAP, and funding from the Coronavirus Relief Fund, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to Congressional authorization, appropriations and budget action.

Under the Trump Administration and the current Congress, many of the policies that drive Federal aid may be subject to change. At this time, it is not possible to assess the potential fiscal impact of future policies that may be proposed and adopted. If Federal funding to the State were reduced, this could have a materially adverse impact on the Financial Plan.

Disbursements

In FY 2021, disbursements from the State's General Fund, including transfers, are expected to total \$73.2 billion, and disbursements from State Operating Funds are expected to total \$99.4 billion. School Aid, Medicaid, transportation, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

The multi-year disbursements projections consider 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 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.

The Financial Plan estimates include \$8.2 billion in recurring reductions in aid-to-localities disbursements that are expected to be executed pursuant to the budget-balance and withholding authority granted in the Enacted Budget. The allocation of the savings plan will depend on what programs are included or excluded from reductions, the level of targeted reductions in certain areas, and the availability of Federal aid. Accordingly, the specific agency and program spending levels described below do not reflect any reductions that may occur as a result of the savings plan. However, such reductions may be significant.

Local Assistance Grants

Local assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at \$61.7 billion in FY 2021, including budget balance reductions, which is 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 spending projections for the State's major local assistance programs and activities are summarized below.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES (millions of dollars)					
	FY 2020 Results ¹	FY 2021 Enacted	Forecast		
			FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
HEALTH CARE					
Medicaid - Individuals Covered ²	6,195,058	6,192,680	6,200,222	6,207,765	6,215,308
Essential Plan - Individuals Covered	775,117	773,639	771,546	769,458	767,375
Child Health Plus - Individuals Covered	424,463	432,215	436,091	438,035	439,979
State Takeover of County/NYC Costs ³	<u>\$4,115</u>	<u>\$4,467</u>	<u>\$4,818</u>	<u>\$5,179</u>	<u>\$5,551</u>
CY 2005 Local Medicaid Cap	\$3,015	\$3,184	\$3,353	\$3,531	\$3,720
FY 2013 Local Takeover Costs	\$1,100	\$1,283	\$1,465	\$1,648	\$1,831
EDUCATION					
School Aid (School Year-Basis Funding) ⁴	\$27,812	\$26,780	\$27,918	\$28,911	\$29,854
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	549,800	549,800	549,800	549,800	549,800
Tuition Assistance Program (Recipients)	265,936	265,936	265,936	265,936	265,936
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	178,038	171,392	166,404	165,110	165,243
Safety Net Program (Families)	105,016	101,741	99,351	98,373	97,930
Safety Net Program (Singles)	191,424	196,052	201,179	206,590	212,376
MENTAL HYGIENE					
OMH Community Beds	47,040	48,321	49,038	50,069	50,569
OPWDD Community Beds	43,193	43,783	44,081	44,381	44,684
OASAS Community Beds	<u>13,665</u>	<u>13,725</u>	<u>13,955</u>	<u>14,186</u>	<u>14,266</u>
Total	103,898	105,829	107,074	108,636	109,519
PRISON POPULATION					
	44,500	44,000	44,000	44,000	44,000

¹ Reflects preliminary unaudited results.

² Enrollment in public health insurance programs is subject to direct/indirect risks related to the COVID-19 pandemic.

³ Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then fully transferred to the State as of calendar year 2015. A portion of the State takeover costs are funded from Master Settlement Agreement resources.

⁴ FY 2021 does not reflect \$1.1 billion in Federal CARES Act funding.

Education**School Aid**

School Aid supports elementary and secondary education for New York pupils enrolled in the 673 major school districts. State aid 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)

State Operating Funds support for School Aid is expected to total \$26.8 billion in SY 2021, an annual decrease of \$1 billion (3.7 percent). This reduction in State Operating Funds support will be offset by approximately \$1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor’s Emergency Education Relief Fund. With these Federal funds, SY 2021 School Aid is expected to total \$27.9 billion, an annual increase of approximately \$100 million or 0.4 percent.

The Enacted Budget continues prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The Enacted Budget also provides over \$200 million in support for competitive grant programs, including \$1 million for development of a new Civics Education curriculum and \$10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid is continued under existing aid formulas.

Outyear growth in School Aid reflects current projections of the ten-year average growth in State personal income.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30)									
(millions of dollars)									
	<u>SY 2020</u>	<u>SY 2021¹</u>	<u>Change</u>	<u>SY 2022</u>	<u>Change</u>	<u>SY 2023</u>	<u>Change</u>	<u>SY 2024</u>	<u>Change</u>
Total	27,812	26,780	-1,032	27,918	1,138	28,911	993	29,854	943
			-3.7%		4.2%		3.6%		3.3%

¹ Does not reflect \$1.1 billion in Federal CARES Act funding.

State Fiscal Year

The State finances School Aid from the General Fund, commercial gaming receipts and Lottery Fund receipts, including revenues from VLTs. Commercial gaming and Lottery Fund receipts are accounted for and disbursed from dedicated accounts. Because the State fiscal year begins on April 1 and the school year begins on July 1, the State typically pays approximately 70 percent of the annual school year commitment during the initial State fiscal year and the remaining 30 percent in the first three months of the following State fiscal year.

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

SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2020	FY 2021 ¹		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	27,368	26,906	-1.7%	27,453	2.0%	28,478	3.7%	29,435	3.4%
General Fund Local Assistance	23,384	23,913	2.3%	24,035	0.5%	25,071	4.3%	26,028	3.8%
Medicaid	138	140	1.4%	140	0.0%	140	0.0%	140	0.0%
Lottery Aid	2,709	2,206	-18.6%	2,246	1.8%	2,246	0.0%	2,246	0.0%
VLT Lottery Aid	975	558	-42.8%	880	57.7%	875	-0.6%	875	0.0%
Commercial Gaming	162	89	-45.1%	152	70.8%	146	-3.9%	146	0.0%

¹Does not reflect \$1.1 billion in Federal CARES Act funding.

State fiscal year spending for School Aid on a State Operating Funds basis is projected to total \$26.9 billion in FY 2021, a 1.7 percent decrease from FY 2020. In FY 2021, the share of School Aid spending financed by lottery, video lottery and commercial gaming revenues is projected to decrease due largely to the impact of the COVID-19 pandemic on economic activity. Pursuant to statute, the projected share of School Aid spending supported by the State's General Fund has increased to offset the projected decrease in lottery and gaming revenues that support School Aid. If casino revenues drop further below currently projected levels, then the General Fund is expected to absorb the shortfall. In addition to State aid, school districts currently receive more than \$3 billion annually in existing Federal aid. School districts are also expected to receive approximately \$1.1 billion in Federal CARES Act funds.

Other Education Funding

The State also 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 FUNDING (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	2,319	2,303	-0.7%	2,387	3.6%	2,473	3.6%	2,542	2.8%
Special Education	1,331	1,357	2.0%	1,428	5.2%	1,495	4.7%	1,564	4.6%
All Other Education	988	946	-4.3%	959	1.4%	978	2.0%	978	0.0%

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

The increase in projected Special Education spending in FY 2021 and thereafter is primarily attributable to increased State reimbursement to special education providers for minimum wage costs and projected enrollment and cost growth in preschool and summer school special education programs.

The projected spending increases for All Other Education programs in FYs 2022 – 2023 are largely due to continued growth in charter school supplemental tuition, facilities aid payments for charter schools in New York City, and payments to nonpublic schools.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a \$69,800 exemption in FY 2021.

Spending on STAR property tax exemptions reflects reimbursements made to school districts to offset the reduction in the amount of property tax revenue collected from homeowners. Since FY 2017, the STAR exemption program has been gradually transitioned from a spending program to an advance refundable PIT credit program. As a result, first-time homebuyers and homeowners who move receive a refundable PIT credit in lieu of a property tax exemption. This change initially had no impact on the value of the STAR benefit received by homeowners. Since the FY 2020 Enacted Budget and moving forward, homeowners who receive a property tax exemption will not see an increase in their STAR benefit (details below).

The STAR program also includes a credit for income-eligible resident New York City taxpayers. The New York City PIT rate reduction was converted into a State PIT tax credit starting with Tax Year 2017. As of FY 2019, New York City STAR payments are no longer a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS									
(millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	2,184	2,073	-5.1%	1,979	-4.5%	1,858	-6.1%	1,750	-5.8%
Gross Program Costs	3,353	3,434	2.4%	3,511	2.2%	3,571	1.7%	3,636	1.8%
Personal Income Tax Credit	(1,169)	(1,361)	-16.4%	(1,532)	-12.6%	(1,713)	-11.8%	(1,886)	-10.1%
Basic Exemption	1,321	1,230	-6.9%	1,171	-4.8%	1,095	-6.5%	1,027	-6.2%
Gross Program Costs	1,737	1,802	3.7%	1,860	3.2%	1,916	3.0%	1,967	2.7%
Personal Income Tax Credit	(416)	(572)	-37.5%	(689)	-20.5%	(821)	-19.2%	(940)	-14.5%
Enhanced (Senior) Exemption	863	843	-2.3%	808	-4.2%	763	-5.6%	723	-5.2%
Gross Program Costs	936	935	-0.1%	936	0.1%	922	-1.5%	918	-0.4%
Personal Income Tax Credit	(73)	(92)	-26.0%	(128)	-39.1%	(159)	-24.2%	(195)	-22.6%
New York City PIT	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	680	697	2.5%	715	2.6%	733	2.5%	751	2.5%
Personal Income Tax Credit	(680)	(697)	-2.5%	(715)	-2.6%	(733)	-2.5%	(751)	-2.5%

Starting in FY 2020, all homeowners with incomes above \$250,000 were transitioned from the basic exemption benefit program to the advance credit program. Furthermore, the zero percent STAR exemption benefit growth cap that was included in the FY 2020 Budget remains in effect. Most of the spending decline projected in FYs 2021 through 2024 can be attributed to these actions. By shifting taxpayers to the credit program, the State can more efficiently administer the program while strengthening its ability to prevent abuse. The shift from the basic exemption to the credit program does not reduce the value of the benefit received by homeowners.

Higher Education

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

HIGHER EDUCATION (millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,362	3,518	48.9%	2,924	-16.9%	2,961	1.3%	2,991	1.0%
City University	933	2,245	140.6%	1,625	-27.6%	1,658	2.0%	1,688	1.8%
Senior Colleges	873	1,812	107.6%	1,381	-23.8%	1,415	2.5%	1,445	2.1%
Community College	60	433	621.7%	244	-43.6%	243	-0.4%	243	0.0%
Higher Education Services	950	814	-14.3%	838	2.9%	843	0.6%	843	0.0%
Tuition Assistance Program	833	664	-20.3%	669	0.8%	665	-0.6%	665	0.0%
Scholarships/Awards	108	138	27.8%	157	13.8%	166	5.7%	166	0.0%
Aid for Part-Time Study	9	12	33.3%	12	0.0%	12	0.0%	12	0.0%
State University	479	459	-4.2%	461	0.4%	460	-0.2%	460	0.0%
Community College	475	455	-4.2%	457	0.4%	456	-0.2%	456	0.0%
Other/Cornell	4	4	0.0%	4	0.0%	4	0.0%	4	0.0%

SUNY and CUNY operate 47 four-year colleges and graduate schools with a total enrollment of nearly 400,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving approximately 309,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State provides more than \$1 billion annually for SUNY campus operations through a General Fund transfer and more than \$2 billion to fully support fringe benefit costs of SUNY employees at State-operated campuses. The State is also projected to pay \$1.3 billion in FY 2021 for debt service on bond financed capital projects at SUNY and CUNY. In FY 2021, an estimated \$250 million in student financial aid support will be transferred from HESC to SUNY. This is the result of an accounting change implemented in FY 2020 to reflect certain financial aid payments from HESC to SUNY as transfers instead of disbursements.

HESC is New York State's student financial aid agency and a national leader in helping make college affordable. HESC oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, Tuition Assistance Program (TAP), the Aid for Part-Time Study program, and 25 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 380,000 students. HESC also partners with OSC in administering the College Choice Tuition Savings program.

Spending on higher education is projected to increase by \$1.2 billion, or 48.9 percent, from FY 2020 to FY 2021, and decrease by \$594 million, or 16.9 percent, from FY 2021 to FY 2022. The spending increase in FY 2021, and subsequent decrease in FY 2022, is primarily due to the timing of payments for CUNY Senior and Community Colleges falling within the academic year. Additionally, the implementation of accounting changes, which reflect the payment of certain student financial aid from HESC to SUNY as transfers instead of disbursements, will result in lower disbursements in FY 2021. The increase in out-year spending is primarily attributable to increased support for CUNY fringe benefits.

Health Care

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

In addition to State funding, DOH also engages in Federal supported initiatives, such as the DSRIP program, with the goal of transforming New York's health care system. For more information on the MRT Medicaid Waiver and DSRIP program please see "Other Matters Affecting the Financial Plan" herein.

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 by a combination of State, Federal, and local government resources. 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).

The number of State Medicaid recipients is expected to be approximately 6.2 million by the end of FY 2021. Year to year enrollment is relatively stable, however, enrollment in populations associated with higher service utilization and costs is increasing, contributing to growth in State Medicaid spending. Similarly, enrollment in public health insurance plans can fluctuate during economic downturns and have adverse impacts on spending. For example, there is inherent risk with the financial condition of providers and enrollment in public health programs driven directly or indirectly by the current COVID-19 pandemic.

Other factors that continue to place upward pressure on State-share Medicaid spending (which includes spending within and outside the Global Cap) include but are not limited to: reimbursement to providers for the cost of the increase in the minimum wage; the phase-out of enhanced Federal funding; increased costs and enrollment growth in managed long-term care; and payments to financially distressed hospitals.

Financing of Medicaid Spending

The State share of DOH Medicaid spending is financed by a combination of the General Fund, HCRA resources, indigent care support, provider assessment revenue, and tobacco settlement proceeds. The following table provides information on financing sources for State Medicaid spending.

DEPARTMENT OF HEALTH MEDICAID (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
STATE OPERATING FUNDS	26,300	24,777	-5.8%	28,130	13.5%	29,764	5.8%	31,309	5.2%
Department of Health Medicaid	22,037	21,793	-1.1%	24,237	11.2%	25,288	4.3%	26,279	3.9%
General Fund - DOH Medicaid Local	16,071	15,616	-2.8%	18,124	16.1%	19,088	5.3%	19,993	4.7%
DOH Medicaid	13,228	12,284	-7.1%	13,587	10.6%	14,488	6.6%	15,408	6.4%
Non-DOH Medicaid ¹	611	2,096	243.0%	1,423	-32.1%	1,041	-26.8%	658	-36.8%
Minimum Wage	1,453	1,767	21.6%	2,011	13.8%	2,273	13.0%	2,458	8.1%
Local Takeover Cost ²	1,100	1,283	16.6%	1,465	14.2%	1,648	12.5%	1,831	11.1%
MSA Payments (Share of Local Growth) ³	(321)	(362)	-12.8%	(362)	0.0%	(362)	0.0%	(362)	0.0%
Enhanced FMAP ⁴	0	(1,452)	0.0%	0	100.0%	0	0.0%	0	0.0%
General Fund - DOH Medicaid State Ops	207	255	23.2%	277	8.6%	276	-0.4%	284	2.9%
General Fund - Essential Plan	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Other State Funds - DOH Medicaid Local	5,685	5,844	2.8%	5,760	-1.4%	5,850	1.6%	5,928	1.3%
HCRA Financing	3,836	4,190	9.2%	4,080	-2.6%	4,142	1.5%	4,194	1.3%
Indigent Care Support	917	717	-21.8%	717	0.0%	717	0.0%	717	0.0%
Provider Assessment Revenue	931	935	0.4%	961	2.8%	989	2.9%	1,015	2.6%
Medical Indemnity Fund	1	2	100.0%	2	0.0%	2	0.0%	2	0.0%
Other State Agency Medicaid Spending	4,263	2,984	-30.0%	3,893	30.5%	4,476	15.0%	5,030	12.4%
Use of MSA Payments (Share of Local Growth)³	321	362	12.8%	362	0.0%	362	0.0%	362	0.0%
Use of Enhanced FMAP⁴	0	1,452	0.0%	0	-100.0%	0	0.0%	0	0.0%
LOCAL SHARE OF MEDICAID⁵	8,353	7,501	-10.2%	7,442	-0.8%	7,412	-0.4%	7,412	0.0%
FEDERAL SHARE OF MEDICAID	44,756	48,914	9.3%	49,134	0.4%	50,714	3.2%	52,480	3.5%
DOH Medicaid	40,922	44,408	8.5%	44,619	0.5%	46,190	3.5%	47,947	3.8%
Essential Plan	3,834	4,506	17.5%	4,515	0.2%	4,524	0.2%	4,533	0.2%
ALL FUNDING SOURCES	79,730	83,006	4.1%	85,068	2.5%	88,252	3.7%	91,563	3.8%

¹ The DOH Medicaid budget funds a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
² Beginning in FY 2013, the State began phasing (3-2-1-0) in takeover of the local government share of growth. As of County Year (CY) 2015 the State pays the full share of Medicaid program growth on behalf of local governments.
³ MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State's share of local Medicaid growth.
⁴ Enhanced FMAP of 6.2 percent for 6 months retro to January 2020.
⁵ The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals. Fluctuation in the local share of Medicaid is related to certain supplemental payments made by local districts. Local Medicaid services payments are capped at CY 2015 levels.

State share Medicaid spending also appears in the Financial Plan estimates for other State agencies and programs, including the mental hygiene agencies, child welfare programs, education aid and corrections.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS¹ (millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	<u>Results</u>	<u>Enacted</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Department of Health Medicaid	<u>21,963</u>	<u>21,715</u>	<u>24,161</u>	<u>25,214</u>	<u>26,205</u>
Local Assistance	22,077	23,274	24,246	25,300	26,283
State Operations	207	255	277	276	284
MSA Payments (Share of Local Growth) ²	(321)	(362)	(362)	(362)	(362)
Enhanced FMAP ³	0	(1,452)	0	0	0
Other State Agency Medicaid Spending	<u>4,263</u>	<u>2,984</u>	<u>3,893</u>	<u>4,476</u>	<u>5,030</u>
Mental Hygiene	4,088	2,771	3,678	4,261	4,815
Foster Care	37	71	75	75	75
Education	138	140	140	140	140
Corrections	0	2	0	0	0
Total State Share Medicaid (All Agencies)	26,226	24,699	28,054	29,690	31,235
Annual \$ Change		(1,527)	3,355	1,636	1,545
Annual % Change		-5.8%	13.6%	5.8%	5.2%
Essential Plan⁴	74	78	76	74	74
Local Assistance	0	0	0	0	0
State Operations	74	78	76	74	74
<p>¹ DOH spending in the Financial Plan includes certain items that are excluded from the indexed provisions of the Medicaid Global Cap. This includes administrative costs, such as the takeover of local administrative responsibilities; the decision of Monroe County to participate in the Medicaid local cap program rather than continuing the sales tax intercept option; increased Federal Financial Participation that became effective in January 2014; and a share of minimum wage increases.</p> <p>² MSA payments will be deposited directly to a Medicaid Escrow Fund to cover a portion of the State share for Medicaid.</p> <p>³ Enhanced FMAP of 6.2 percent for 6 months retro to January 2020.</p> <p>⁴ The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.</p>					

Global Cap

The majority of DOH State Funds Medicaid spending is budgeted and expended principally through DOH. A portion of this spending is subject to the Global Cap -- the ten-year rolling average of the medical component of the CPI. The Global Cap excludes non-indexed items including the takeover of local Medicaid growth, the multi-year takeover assumption of local Medicaid administration costs, increased Federal Financial Participation (FFP) pursuant to the ACA (effective in January 2014), and the cost of minimum wage increases for health care providers. The Global Cap allows for growth related to increasing costs but does not account for utilization growth. The statutory provisions of the Global Cap allow for flexibility in adjusting Medicaid projections to meet unanticipated costs resulting from a disaster, and grant the Commissioner of Health certain powers to limit Medicaid disbursements to the level authorized by the Global Cap. The Commissioner's powers are intended to limit the annual growth rate to the levels set by the Global Cap indexed rate for the then-current fiscal year, through actions which may include reducing reimbursement rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation.

Medicaid Redesign Team (MRT) II

In FY 2020, DOB recognized that a structural imbalance existed in the Medicaid program. Absent actions to rein in spending growth, State Medicaid spending levels would have exceeded the allowable indexed growth as set by Global Cap statute. In response to the imbalance, the Governor formed the MRT II with the objective of restoring financial sustainability to the Medicaid program while connecting other programmatic initiatives that would advance the Governor's core healthcare strategies.

The Enacted Budget includes \$2.2 billion in recommendations, including the recurring value of savings that began in FY 2020, put forward by the MRT to create efficiencies within the Medicaid program and address the Medicaid imbalance, including identifying efficiencies in Managed Care and Managed Long-Term Care, as well as eligibility and administrative reforms. Additionally, policy initiatives, including the carve out of services from Managed Care within pharmacy and the centralization of a transportation broker will lead to better transparency and greater efficiencies within these areas. The MRT also focused on greater Program Integrity within Medicaid and included reforms to modernize regulations to eliminate fraud, waste and abuse.

Through a combination of MRT II actions, the continued FY 2020 savings plan and payment delays and restructuring, spending under the Global Cap has been significantly reduced to ensure Medicaid spending stays within statutory allowable levels in FY 2021 and beyond. In FY 2020, spending was roughly \$650 million lower than anticipated, resulting in a temporary reduction to the continued payment deferral previously planned. These savings along with \$400 million in recurring lower level of spending partially offsets the required General Fund contribution in FY 2021 by \$100 million.

Programmatic and payment reforms to the Medicaid program addressed by the MRT II include, but are not limited to; reductions in Hospital supplemental pool payments ; promoting quality Managed Care Encounter Data by withholding a portion of premiums; modifying criteria for Personal Care Services and the Consumer Directed Personal Assistance Program (CDPAP); delaying new discretionary Community First Choice Option (CFCO) services that are already furnished via Medicaid waivers; reducing drug cap growth by enhancing the purchasing power to lower cost drugs; and an across the board rate reduction. For more information on the MRT II activities please see “Other Matters Affecting the Financial Plan” herein.

As a result of the MRT II and other combined savings actions, Global Cap spending growth are projected to adhere to the indexed rate of 3 percent in FY 2021. Similarly, the Financial Plan reflects the continuation of the “Global Cap” through FY 2024, and the projections assume that statutory authority will be extended in subsequent years.

MEDICAID GLOBAL CAP FORECAST					
<i>(millions of dollars)</i>					
	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Global Medicaid Cap¹	19,433	20,006	20,594	21,200	21,824
Annual \$ Change		573	588	606	624
Annual % Change		3.0%	2.9%	2.9%	2.9%

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

Temporary Enhanced FMAP

In response to the COVID-19 pandemic, the President signed into law the Families First Coronavirus Response Act (FFCRA) in March 2020, which included supplemental Federal funding for various programs, including an enhanced FMAP for unexpected costs attributable to the pandemic retroactive to January 2020.

The FFCRA includes a 6.2 percent base increase to the FMAP rate for each calendar quarter occurring during the public health emergency, with exemptions placed on certain expenditures, including expansion spending that already receives enhanced federal support. As of May 2020, the public health emergency has not been lifted and as such, the enhanced funding remains in place. The Financial Plan assumes a six-month State benefit of approximately \$1.45 billion that will be used to offset unanticipated General Fund expenses directly or indirectly related to the pandemic.

Master Settlement Agreement (MSA)

In FY 2018, all outstanding bonds secured by annual payments from tobacco manufacturers under the MSA were retired, with no remaining debt service requirements to be paid on these bonds. DOB expects to receive MSA payments of approximately \$362 million in FY 2021 and in each subsequent year. Existing statutes direct these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, which capped local districts' Medicaid costs at calendar year 2015 levels, is expected to cost the State \$1.3 billion in FY 2021, growing to \$1.5 billion in FY 2022. Consistent with State law, DOB expects MSA payments to be deposited directly to a Medicaid Payment Escrow Fund to offset the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The deposit mechanism has no impact on overall Medicaid spending funded with State resources but reduces reported State-supported Medicaid spending accounted for in State Operating Funds.

The table below shows total State spending adjusted for MSA payments.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS					
(millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
State Share Support	<u>26,621</u>	<u>25,139</u>	<u>28,492</u>	<u>30,126</u>	<u>31,671</u>
State Funds Medicaid Disbursements	26,300	24,777	28,130	29,764	31,309
MSA Payments (Local Growth)	321	362	362	362	362

Minimum Wage

Medicaid spending includes the cost of increases in the minimum wage for employees in the health care sector. These costs are not subject to the Global Cap indexed spending limit. The State costs of minimum wage increases in the health care sector are projected to grow roughly \$300 million to \$1.8 billion in FY 2021. Per State statute, home health care workers in New York City and certain counties receive supplemental benefits in addition to their base wage. These benefits include paid leave, differential wages, premiums for certain shifts, education and fringe benefits. The supplemental benefits typically can be satisfied by increasing the base cash wage by a corresponding amount. As a result, wages for home health care workers in these regions exceed minimum wage levels by \$4.09 for New York City and \$3.22 for Westchester, Nassau, and Suffolk counties. However, State statute exempts the supplemental wages portion of total compensation from the minimum wage calculation to ensure home health care workers in these counties receive incremental growth in wage compensation commensurate with the new minimum wage schedule.

Local Medicaid Cap

The local Medicaid Cap was designed to relieve pressure on county property taxes and the New York City budget by capping local costs and having the State absorb all local program growth above a fixed statutory inflation rate. Beginning in January 2006, counties' Medicaid cost contributions were capped based on 2005 expenditures that were indexed at a growth rate of 3.5 percent in 2006, 3.25 percent in 2007, and 3 percent per year thereafter. In FY 2013, the State committed to phasing out over a three-year period all growth in the local share of Medicaid costs. The takeover of local Medicaid costs by the State is projected to save local districts a total of \$4.5 billion in FY 2021 including approximately \$2.3 billion for counties outside New York City and \$2.2 billion for New York City.

LOCAL GOVERNMENT SAVINGS STATE TAKEOVER OF LOCAL MEDICAID COSTS (2005 CAP AND GROWTH TAKEOVER) FY 2020 to FY 2024 (in dollars)					
County	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Albany	42,689,168	45,924,447	49,145,707	52,460,384	55,871,186
Allegany	6,772,552	7,282,837	7,790,910	8,313,717	8,851,686
Broome	45,031,526	47,571,195	50,099,859	52,701,854	55,379,307
Cattaraugus	15,132,371	16,107,474	17,078,352	18,077,385	19,105,391
Cayuga	15,561,190	16,470,059	17,374,989	18,306,163	19,264,340
Chautauqua	30,536,154	32,422,534	34,300,740	36,233,414	38,222,136
Chemung	16,488,992	17,606,113	18,718,393	19,862,930	21,040,658
Chenango	8,645,524	9,211,451	9,774,926	10,354,742	10,951,372
Clinton	13,123,058	14,054,886	14,982,677	15,937,373	16,919,755
Columbia	12,839,564	13,567,329	14,291,940	15,037,564	15,804,811
Cortland	8,805,834	9,380,674	9,953,023	10,541,971	11,147,998
Delaware	8,898,054	9,433,363	9,966,352	10,514,798	11,079,148
Dutchess	56,414,674	59,419,628	62,411,561	65,490,261	68,658,242
Erie	177,505,131	189,303,042	201,049,829	213,137,272	225,575,252
Essex	5,624,785	6,001,647	6,376,876	6,762,988	7,160,296
Franklin	8,587,732	9,155,077	9,719,964	10,301,233	10,899,359
Fulton	10,673,940	11,419,990	12,162,806	12,927,165	13,713,689
Genesee	9,025,263	9,592,429	10,157,138	10,738,223	11,336,160
Greene	9,557,304	10,145,907	10,731,959	11,335,007	11,955,543
Hamilton	687,021	727,545	767,892	809,410	852,132
Herkimer	12,250,594	13,037,477	13,820,950	14,627,145	15,456,719
Jefferson	18,285,842	19,451,308	20,611,724	21,805,792	23,034,488
Lewis	4,243,589	4,527,009	4,809,201	5,099,576	5,398,373
Livingston	9,545,038	10,117,564	10,687,610	11,274,187	11,877,774
Madison	10,611,590	11,274,217	11,933,972	12,612,860	13,311,436
Monroe	162,292,163	172,706,043	183,074,797	193,744,244	204,723,105
Montgomery	13,283,037	14,050,740	14,815,117	15,601,660	16,411,013
Nassau	236,493,602	250,812,829	265,070,006	279,740,641	294,836,725
Niagara	39,497,776	42,088,881	44,668,758	47,323,452	50,055,132
Oneida	50,086,271	53,309,028	56,517,821	59,819,668	63,217,269
Onondaga	100,968,739	107,166,225	113,336,855	119,686,433	126,220,149
Ontario	16,280,759	17,271,271	18,257,491	19,272,311	20,316,561
Orange	90,379,187	95,303,291	100,206,057	105,251,004	110,442,254
Orleans	8,078,898	8,577,544	9,074,029	9,584,912	10,110,610
Oswego	25,520,345	27,054,376	28,581,761	30,153,439	31,770,697
Otsego	8,536,571	9,117,002	9,694,918	10,289,593	10,901,514
Putnam	11,406,609	12,045,986	12,682,592	13,337,660	14,011,725
Rensselaer	24,542,662	26,323,971	28,097,561	29,922,585	31,800,535
Rockland	83,821,671	88,391,821	92,942,167	97,624,473	102,442,566
St. Lawrence	18,202,037	19,484,562	20,761,529	22,075,528	23,427,634
Saratoga	26,933,877	28,503,780	30,066,880	31,675,310	33,330,384
Schenectady	37,450,843	39,623,716	41,787,173	44,013,370	46,304,127
Schoharie	5,166,051	5,498,147	5,828,803	6,169,049	6,519,161
Schuyler	3,033,781	3,240,753	3,446,828	3,658,879	3,877,080
Seneca	5,619,596	5,972,765	6,324,404	6,686,240	7,058,570
Steuben	17,261,543	18,381,710	19,497,022	20,644,679	21,825,618
Suffolk	284,306,151	300,519,369	316,662,330	333,273,436	350,366,264
Sullivan	22,057,621	23,346,278	24,629,350	25,949,631	27,308,200
Tioga	6,304,446	6,744,480	7,182,606	7,633,439	8,097,345
Tompkins	11,104,669	11,806,747	12,505,782	13,225,089	13,965,256
Ulster	41,646,568	44,016,950	46,377,060	48,805,613	51,304,594
Warren	9,939,189	10,615,110	11,288,103	11,980,612	12,693,204
Washington	11,939,872	12,646,329	13,349,724	14,073,518	14,818,302
Wayne	18,840,889	19,842,160	20,839,092	21,864,935	22,920,527
Westchester	175,865,126	187,832,130	199,747,277	212,007,964	224,624,210
Wyoming	5,528,109	5,861,491	6,193,427	6,534,990	6,886,458
Yates	3,731,585	3,975,272	4,217,903	4,467,571	4,724,478
Rest of State	2,133,656,735	2,265,335,960	2,396,444,576	2,531,355,341	2,670,178,519
New York City	1,981,151,384	2,201,926,595	2,421,745,114	2,647,938,370	2,880,691,230
Statewide	4,114,808,119	4,467,262,556	4,818,189,690	5,179,293,711	5,550,869,749

Health Care Transformation Fund (HCTF)

Pursuant to Part FFF of Chapter 59 of the Laws of 2018, the Health Care Transformation Fund (HCTF) was created to account for receipts associated with health care asset sales and conversions. Moneys in the HCTF are to be made available for transfer to any other fund of the State, as directed by the Director of the Budget, to support health care delivery, including for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. Future proceeds related to asset sales and conversions may be directed to flow through the HCTF, subject to regulatory approvals.

HEALTH CARE TRANSFORMATION FUND					
PURSUANT TO PART FFF OF CHAPTER 59 OF THE LAWS OF 2018					
(millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Opening Balance	525	315	0	0	0
Receipts	<u>501</u>	<u>138</u>	<u>138</u>	<u>68</u>	<u>0</u>
Fidelis Payment	400	50	50	0	0
Centene Payment	68	68	68	68	0
CVS Payment	13	13	13	0	0
Cigna Payment	7	7	7	0	0
STIP Interest	13	0	0	0	0
Planned Uses	<u>(711)</u>	<u>(453)</u>	<u>(138)</u>	<u>(68)</u>	<u>0</u>
Housing Rental Subsidies	(272)	(272)	(118)	(68)	0
State-Only Medicaid Payments	(228)	(160)	0	0	0
Capital Projects	(211)	(21)	(20)	0	0
Closing Balance	315	0	0	0	0

Fidelis - Centene Asset Sale

In September 2017, Fidelis Care (a nonprofit insurer associated with the Catholic Diocese of New York) agreed to sell a substantial share of its assets (under Sections 510 and 511-a of the Not-for-Profit Corporation Law “N-PCL”) to Centene Corporation, a for-profit health insurer based in St. Louis, Missouri, in order to enter New York’s health insurance marketplace. Consistent with previous transactions of similar nature in New York, the transaction was subject to regulatory approval by DOH, DFS and the Office of the Attorney General (OAG). The transaction included an agreement that the companies would contribute an estimated \$2 billion over five years beginning in FY 2019.

Direct payments are expected to offset State costs for health care transformation activities, including enhancing access to affordable quality health care and health care-related services for the poor, disabled, disadvantaged, elderly and/or underserved people of the State, and/or to assist populations with any unmet health care-related needs including, but not limited to, those associated with the social determinants of health.

Following completion of all regulatory approvals, the initial \$1 billion direct payment from Fidelis Care was deposited into the HCTF in July 2018. The State recently received the second round of conversion proceeds totaling \$468 million. Future deposits into the HCTF from these entities include a total of \$118 million in FY's 2021 and 2022, as well as \$68 million in FY 2023, at which time the conversion will be complete. The HCTF does not include increased insurance tax receipts from Centene or higher Medicaid provider rates paid to Centene, which are reflected in the General Fund.

CVS – Aetna Acquisition

In November 2018, DFS approved an application by CVS Health Corp. and CVS Pharmacy Inc. to acquire Aetna Health Insurance Company, a New York domestic stock accident and health insurance company. The acquisition was subject to several conditions, including enhanced consumer and health insurance rate protections, privacy controls, cybersecurity compliance, and a \$40 million obligation to New York State over three years. The State is expected to receive three installments of roughly \$13 million annually through FY 2022.

Cigna Health and Life Insurance Company (Cigna) – Express Scripts

In December 2018, DFS approved the request by Cigna Corporation, a health services organization, to acquire Express Scripts, a subsidiary pharmacy benefit management organization of Medco Containment Insurance Company of New York. Pursuant to the DFS approved terms, the combined entity is expected to contribute a total of \$20 million to New York through FY 2022 and will implement an enhanced care model that will reduce the cost of care and coverage gaps related to diabetes care, cardiology care and opioid abuse. Additional conditions include adherence to New York's cybersecurity regulations and consumer protections related to insurance premiums and drug prices.

DOB expects to transfer HCTF funds from the above transactions to the General Fund to offset State costs for health care transformation activities.

Essential Plan (EP)

The FY 2015 Enacted Budget authorized the State to participate in the EP, a health insurance program which receives Federal subsidies authorized through the ACA. The EP includes health insurance coverage for legally residing immigrants in New York not eligible for Medicaid, CHP or other employer-sponsored coverage. Individuals who meet the EP eligibility standards are enrolled through the New York State of Health (NYSOH) insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments. The Exchange – NYSOH – serves as a centralized marketplace to shop for, compare, and enroll in a health plan. More than 770,000 New Yorkers have enrolled since the EP launched in January 2016.

ESSENTIAL PLAN (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL ALL FUNDS SPENDING	3,908	4,584	17.3%	4,591	0.2%	4,598	0.2%	4,607	0.2%
State Operating Funds	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	74	78	5.4%	76	-2.6%	74	-2.6%	74	0.0%
Federal Operating Funds	3,834	4,506	17.5%	4,515	0.2%	4,524	0.2%	4,533	0.2%

The increase from FY 2020 to FY 2021 is partially attributable to the delayed transition of the Value Based Payment Quality Incentive Program to Federal funds. FY 2021 growth is also impacted by increased EP reimbursement rates to providers, with growth attributable to these rates tapering in the outyears. All Funds average growth of 4.4 percent over the multi-year Financial Plan reflects a mix of factors, including stabilizing enrollment trends and continued Federal support. The change in the premium index generates a higher Federal reimbursement rate, eliminating EP program costs for the State and allowing for the local assistance share of the program to be fully Federally funded. The EP is not a Medicaid program, however, State savings associated with the EP local assistance program are realized within the Global Cap, where EP resources are managed.

On an All Funds basis, EP continues to be at risk of reduced Federal funding. Beginning in 2017, the Trump Administration has taken actions in opposition to the State's EP reimbursement methodology. In response, litigation brought by the State allowed for a partial recoupment of withheld funding through changes to the FY 2018 reimbursement methodology.

In response to the lawsuit, the Trump Administration finalized additional changes to the reimbursement formula, which further decreased the amount of Federal support for the EP and continues to put the Financial Plan at risk. Despite the uncertainty, the Financial Plan continues to reflect funding for the EP program.

Public Health/Aging Programs

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

The 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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	1,805	1,900	5.3%	1,881	-1.0%	1,903	1.2%	1,920	0.9%
Public Health	1,669	1,759	5.4%	1,735	-1.4%	1,751	0.9%	1,763	0.7%
Child Health Plus ¹	735	634	-13.7%	745	17.5%	762	2.3%	774	1.6%
General Public Health Work	75	266	254.7%	163	-38.7%	163	0.0%	163	0.0%
EPIC	101	104	3.0%	103	-1.0%	103	0.0%	103	0.0%
Early Intervention	84	254	202.4%	163	-35.8%	163	0.0%	163	0.0%
HCRA Program	355	276	-22.3%	328	18.8%	328	0.0%	328	0.0%
All Other	319	225	-29.5%	233	3.6%	232	-0.4%	232	0.0%
Aging	136	141	3.7%	146	3.5%	152	4.1%	157	3.3%

¹ Effective for FY 2020, CHP includes the transfer of the Aliessa population previously funded under the Medicaid Global Cap. This change has no impact on service delivery.

In addition to ongoing program support, the Enacted Budget leverages \$73 million in new Federal funding to support public health programs that improve the health of children. The Health Services Initiatives option, available under CHP, will be used to offset State costs in programs such as GPHW, Healthy Neighborhoods, Genetic Disease, Public Health Campaign STD, and the Supplemental Nutrition Assistance Program (SNAP). The Enacted Budget also rebases the Excess Medical Malpractice program based on program utilization, generating savings of \$22 million annually.

The spending increase in FY 2021, and subsequent decrease in FY 2022, is primarily due to the timing of FY 2020 payments. The standard review process for State payments was disrupted by the COVID-19 pandemic, causing a lag in the release of several payments, including GPHW and EI.

The Financial Plan includes SOFA support to address locally-identified capacity needs for services to maintain the elderly in their communities, support family and friends in their caregiving roles, and reduce future Medicaid costs by intervening earlier with less intensive services.

The Public Health budget continues to support the CHP program and enrollment growth within, as well as the full impact of phased down Federal support currently provided under the ACA, which will drive higher State costs across the multi-year Financial Plan.

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities and is currently authorized through FY 2023. HCRA resources include surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, and a portion of cigarette tax revenues. These resources are used to fund roughly 25 percent of State share Medicaid costs, and other programs and health care industry investments including CHP, EPIC, Physician Excess Medical Malpractice Insurance, Indigent Care payments to hospitals serving a disproportionate share of individuals without health insurance; Worker Recruitment and Retention; Doctors Across New York; and the Statewide Health Information Network for New York (SHIN-NY)/All-Payer Claims Databases (APCD) infrastructure development initiative, which improves the informational and data capabilities associated with claiming records.

HCRA FINANCIAL PLAN					
(millions of dollars)					
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
OPENING BALANCE	0	16	0	0	0
TOTAL RECEIPTS	6,261	6,191	6,239	6,300	6,364
Surcharges	3,875	3,823	3,896	3,972	4,049
Covered Lives Assessment	1,050	1,110	1,110	1,110	1,110
Cigarette Tax Revenue	722	675	641	609	579
Hospital Assessments	503	471	487	502	518
Excise Tax on Vapor Products	10	14	6	6	6
NYC Cigarette Tax Transfer	23	32	32	32	32
EPIC Receipts/ICR Audit Fees	78	66	67	69	70
TOTAL DISBURSEMENTS AND TRANSFERS	6,245	6,207	6,239	6,300	6,364
Medicaid Assistance Account	<u>3,836</u>	<u>4,190</u>	<u>4,080</u>	<u>4,142</u>	<u>4,194</u>
Medicaid Costs	3,639	4,015	3,905	3,967	4,019
Workforce Recruitment & Retention	197	175	175	175	175
Hospital Indigent Care	917	717	717	717	717
HCRA Program Account	363	284	336	336	336
Child Health Plus ¹	747	649	760	777	789
Elderly Pharmaceutical Insurance Coverage	112	116	114	114	114
Qualified Health Plan Administration	41	49	48	47	47
SHIN-NY/APCD	40	40	40	40	40
All Other	189	162	144	127	127
ANNUAL OPERATING SURPLUS/(DEFICIT)	16	(16)	0	0	0
CLOSING BALANCE	16	0	0	0	0

¹ The fluctuation in Child Health Plus expenditures from FY 2020 to FY 2021 reflects the impact of transitioning certain funding from the Medicaid Assistance account to Child Health Plus. This transition has no impact on service delivery.

HCRA receipts are anticipated to fluctuate over the multi-year projection period, reflecting the anticipated impacts of the COVID-19 pandemic on hospital volume and activities associated with MRT II. The FY 2021 increase in Covered Lives Assessments (CLA) reflects receipts reverting to the maximum allowable statutory levels. Strong surcharge collections contribute to the year to year increases. Offsetting the aforementioned increases is declining cigarette tax revenue, attributable to reduced consumption, augmented by the full year impact of FY 2020 Enacted Budget legislation that increased the purchasing age for tobacco products to 21 years.

Effective December 1, 2019, a 20 percent excise tax on the sale of vapor products went into effect in New York. The Enacted Budget includes legislation that bans the sale of most flavored vapor products. Flavored products represent a significant portion of the market, and as such the ban is expected to result in a significant reduction in consumption and a concomitant reduction in tax receipts. Projected outyear declines in Vapor Tax receipts reflect the full annual impact of the vapor flavor ban.

HCRA spending is expected to remain in the \$6.2 billion range through FY 2022. The most substantial area of spending growth in the outyears is for the CHP program, largely due to the expiration of enhanced Federal resources provided through the ACA and expected utilization growth.

HCRA is expected to remain in balance over the multi-year Financial Plan period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to maintain a balanced fund. Any such 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 have otherwise been paid from the General Fund.

Mental Hygiene

Mental Hygiene services are delivered by the Office for People with Developmental Disabilities (OPWDD), the Office of Mental Health (OMH), the Office of Addiction Services and Supports (OASAS), the Developmental Disabilities Planning Council (DDPC), and the Justice Center for the Protection of People with Special Needs (Justice Center). Services are provided for adults with mental illness, children with emotional disturbance, 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-based providers. Costs of providing these services are reimbursed by 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, issued to finance infrastructure improvements at State mental hygiene facilities. Revenues in excess of debt service commitments are used to support State operating costs associated with Mental Hygiene service delivery.

MENTAL HYGIENE (millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,427	2,223	-35.1%	3,162	42.2%	3,799	20.1%	4,437	16.8%
People with Developmental Disabilities	2,352	2,474	5.2%	2,668	7.8%	2,836	6.3%	2,997	5.7%
Residential Services	1,363	1,455	6.7%	1,542	6.0%	1,640	6.4%	1,733	5.7%
Day Programs	693	740	6.8%	784	5.9%	834	6.4%	881	5.6%
Clinic	17	18	5.9%	19	5.6%	21	10.5%	22	4.8%
All Other Services (Net of Offsets)	279	261	-6.5%	323	23.8%	341	5.6%	361	5.9%
Mental Health	1,322	1,477	11.7%	1,530	3.6%	1,597	4.4%	1,673	4.8%
Adult Local Services	1,091	1,223	12.1%	1,268	3.7%	1,325	4.5%	1,391	5.0%
Children Local Services	231	254	10.0%	262	3.1%	272	3.8%	282	3.7%
Addiction Services and Supports	363	367	1.1%	386	5.2%	406	5.2%	424	4.4%
Residential	91	93	2.2%	96	3.2%	101	5.2%	105	4.0%
Other Treatment	190	188	-1.1%	197	4.8%	207	5.1%	216	4.3%
Prevention	50	51	2.0%	55	7.8%	57	3.6%	60	5.3%
Recovery	32	35	9.4%	38	8.6%	41	7.9%	43	4.9%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Total Spending Funded by DOH Medicaid Global Cap ¹	(611)	(2,096)	-243.0%	(1,423)	32.1%	(1,041)	26.8%	(658)	36.8%
People with Developmental Disabilities	(611)	(1,975)	-223.2%	(1,423)	27.9%	(1,041)	26.8%	(658)	36.8%
Mental Health	0	(121)	0.0%	0	100.0%	0	0.0%	0	0.0%
TOTAL MENTAL HYGIENE SPENDING ¹	4,038	4,319	7.0%	4,585	6.2%	4,840	5.6%	5,095	5.3%

¹ Reflects a portion of mental hygiene spending reported under the Medicaid Global Cap that has no impact on mental hygiene service delivery or operations.

Local assistance funding for the mental hygiene agencies is expected to grow by an average 6.0 percent over the Financial Plan period. Increased funding reflects reimbursement to not-for-profit providers for increasing employee wages related to salary increases for direct care and clinical workers; compliance with incremental pay standards and related fringe benefit increases associated with the transition to a \$15 per hour minimum wage; and community-based employment and residential opportunities for individuals with disabilities.

Investments to leverage up to \$120 million (gross) in additional OPWDD funding will allow for the development of new certified housing supports in the community, support more independent living, provide more day program and employment options, and increase respite availability. Additional OMH funding will support existing residential programs and expansion of suicide prevention efforts for veterans, law enforcement, correction officers and first responders.

Spending also reflects a 4 percent total increase through FY 2021 for direct care workers and a 2 percent pay raise for clinical workers serving the mental hygiene community. Both increases are aimed at assisting not-for-profits in recruitment and retention of employees. When fully annualized, these investments will increase State share support for workers by \$107 million (\$188 million on an All Funds basis).

The Financial Plan reflects continued funding for OASAS prevention, treatment and recovery programs targeted toward chemical dependency, residential service opportunities, and public awareness activities.

A \$2.1 billion portion of mental hygiene spending is reported under the DOH Medicaid Global Cap in FY 2021 (an increase of \$1.5 billion from FY 2020) and this has no impact on mental hygiene service delivery or operations.

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 are Family Assistance, Safety Net Assistance and 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 persons.

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	1,161	1,416	22.0%	1,346	-4.9%	1,459	8.4%	1,496	2.5%
SSI	635	666	4.9%	667	0.2%	667	0.0%	667	0.0%
Public Assistance Benefits	420	647	54.0%	541	-16.4%	541	0.0%	541	0.0%
Public Assistance Initiatives	10	9	-10.0%	9	0.0%	9	0.0%	9	0.0%
Homeless Housing and Services	92	90	-2.2%	126	40.0%	239	89.7%	277	15.9%
All Other	4	4	0.0%	3	-25.0%	3	0.0%	2	-33.3%

DOB's caseload models project a total of 469,185 public assistance recipients in FY 2021. Approximately 171,392 families are expected to receive benefits through the Family Assistance program in FY 2021, a decrease of 3.7 percent from FY 2020. The Safety Net caseload for families is projected at 101,741 in FY 2021, a decrease of 3.1 percent from FY 2020. The caseload for single adults and childless couples supported through the Safety Net program is projected at 196,052 in FY 2021, an increase of 2.4 percent from FY 2020.

SSI spending is projected to increase slightly over the course of the multi-year Financial Plan as caseload is expected to level off. The large increase in Public Assistance payments in FY 2021 is due to interruptions in the payment review process stemming from the COVID-19 pandemic. These payments are now projected in FY 2021. Budget actions include shifting the cost of Consolidated Homeless Programs to off-budget resources and restructuring financing for the Family Assistance and Emergency Assistance for Needy Families programs, to move 5 percent of costs previously financed by Federal Temporary Assistance for Needy Families (TANF) resources to the City of New York. Spending increases in the outyears reflect a transition from State settlement funds to the General Fund for the Empire State Supportive Housing Initiative (ESSHI) supportive housing constructed for vulnerable homeless populations under the Governor's Affordable Housing and Homelessness Plan. This transition from settlement funds reflects all costs of the ESSHI program that are shared by multiple agencies and will be allocated to those agencies in a future update to the Financial Plan.

Office of Children and Family Services (OCFS)

OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. It oversees the State's system of family support and child welfare services administered by local social services districts and community-based organizations. Specifically, child welfare services, 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 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,194	1,834	53.6%	1,550	-15.5%	1,551	0.1%	1,551	0.0%
Child Welfare Service	305	685	124.6%	476	-30.5%	476	0.0%	476	0.0%
Foster Care Block Grant	287	480	67.2%	393	-18.1%	393	0.0%	393	0.0%
Child Care	191	192	0.5%	209	8.9%	209	0.0%	209	0.0%
Adoption	127	161	26.8%	148	-8.1%	148	0.0%	148	0.0%
Youth Programs	94	101	7.4%	92	-8.9%	92	0.0%	92	0.0%
Medicaid	37	71	91.9%	75	5.6%	75	0.0%	75	0.0%
Adult Protective/Domestic Violence	19	81	326.3%	54	-33.3%	54	0.0%	54	0.0%
Committees on Special Education	30	0	-100.0%	28	0.0%	29	3.6%	29	0.0%
All Other	104	63	-39.4%	75	19.0%	75	0.0%	75	0.0%

As the State responded to the COVID-19 pandemic, the normal review process for payments was interrupted causing a delay in the release of several payments from FY 2020 to FY 2021, including Child Welfare Services, Foster Care Block Grant, Adoption, Youth and Adult Protective/Domestic Violence programs.

The Enacted Budget includes the use of TANF resources to offset State child care costs, restructuring the financing approach for residential school placements of children with special needs outside New York City, and requiring the increased use of Federal funds for Child Welfare Services. In addition, the Enacted Budget reduces funding for child care union contracts, and eliminates funding for the Public/Private Partnership program.

Transportation

The Department of Transportation directly maintains and improves approximately 44,500 State highway lane miles and nearly 7,900 bridges. The Department also partially funds regional and local transit systems, including the MTA; local government highway and bridge construction; and rail, airport, and port programs.

In FY 2021, the State expects to provide \$6.7 billion in operating aid to mass transit systems, including up to \$2.8 billion from the direct remittance of various dedicated taxes and fees to the MTA (not included in the table below) and \$244 million annually from a State supplement to the Payroll Mobility Tax (PMT) tax collections. The MTA, the nation's largest transit and commuter rail system, receives 90 percent of the State's mass transit aid -- \$6.0 billion in FY 2021.

TRANSPORTATION (millions of dollars)									
	FY 2020	FY 2021		FY 2022		FY 2023		FY 2024	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE OPERATING FUNDS SUPPORT	3,488	3,935	12.8%	3,906	-0.7%	4,094	4.8%	4,288	4.7%
Mass Transit Operating Aid:	<u>2,448</u>	<u>2,817</u>	<u>15.1%</u>	<u>2,651</u>	<u>-5.9%</u>	<u>2,761</u>	<u>4.1%</u>	<u>2,854</u>	<u>3.4%</u>
Metro Mass Transit Aid	2,292	2,669	16.4%	2,492	-6.6%	2,602	4.4%	2,695	3.6%
Public Transit Aid	112	104	-7.1%	115	10.6%	115	0.0%	115	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	245	275	12.2%	369	34.2%	448	21.4%	552	23.2%
MTA Aid Trust	32	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
NY Central Business District Trust	0	150	0.0%	151	0.7%	153	1.3%	154	0.7%
Dedicated Mass Transit	697	627	-10.0%	669	6.7%	666	-0.4%	662	-0.6%
AMTAP	66	66	0.0%	66	0.0%	66	0.0%	66	0.0%
All Other	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast, certain commitments to MTA capital plans, and a lag in the release of several payments in FY 2020 caused by interruption of the normal payment review process as the State responded to the evolving COVID-19 pandemic. A substantial amount of new funding to the MTA was authorized in the FY 2020 Enacted Budget as part of a comprehensive reform plan expected to generate \$25 billion in financing for the MTA's 2020-2024 Capital Plan. This includes sales tax receipts from online marketplace provider sales tax collections on all sales facilitated through their platforms, and implementation and enforcement of regulations associated with the *Wayfair* decision, which is projected to provide the MTA with \$150 million in dedicated revenues in FY 2021.

The MTA, and its operating agencies, have suffered devastating reductions in ridership and traffic as a result of the COVID-19 pandemic. Compared to 2019 results, as of May 15, 2020, ridership has declined 90 percent on the subways, 94 percent on MTA Metro-North Railroad, 94 percent on the Long Island Rail Road, and 70 percent on buses. For the period from May 3-17, 2020, crossings at the Triborough Bridge and Tunnel Authority facilities are down by an estimated 53 percent from 2019 figures.

At the request of the MTA, McKinsey & Company (McKinsey) provided a detailed economic analysis to assist MTA in assessing the financial impact of the COVID-19 pandemic on the MTA's operating budget. The McKinsey analysis projects the full calendar year 2020 financial impact of the pandemic on the MTA to be between \$7.0 and \$8.5 billion, including substantial reductions in revenues from State dedicated taxes and fees. The MTA expects to receive approximately \$3.9 billion under the Federal CARES Act, and on April 16, 2020, the MTA requested an additional \$3.9 billion in Federal aid for the remainder of calendar year 2020.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)									
	FY 2020	FY 2021	FY 2022		FY 2023		FY 2024		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	662	671	1.4%	704	4.9%	704	0.0%	704	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	9	9	0.0%	9	0.0%	9	0.0%	9	0.0%
Restructuring/Efficiency	6	15	150.0%	48	220.0%	48	0.0%	48	0.0%

The Enacted Budget continues to support towns and villages at the same funding level as FY 2020. State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to increase due to potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

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

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 SUNY system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2020 Results ¹	FY 2021 Enacted	Forecast		
			FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
Negotiated Base Salary Increases ²					
NYSTPBA /NYSPIA/NYSCOPBA/GSEU	2%	2%	2%	2%	TBD
UUP	2%	2%	2%	TBD	TBD
CSEA/DC-37 (Rent Regulation Unit)/MC	2%	2%	TBD	TBD	TBD
Council 82/PEF/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce ³	118,193	118,850	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization ⁴	15.1%	15.1%	16.0%	16.8%	19.2%
After Amortization ⁵	18.7%	18.7%	19.2%	19.4%	21.0%
PFRS Contribution Rate					
Before Amortization ⁴	24.0%	24.8%	25.7%	26.2%	28.4%
After Amortization ⁵	26.8%	27.7%	28.4%	28.5%	30.0%
Employee/Retiree Health Insurance Growth Rates	2.6%	4.9%	7.7%	7.4%	7.4%
PS/Fringe as % of Receipts (All Funds Basis)	13.0%	12.8%	14.7%	14.8%	14.8%

¹ Reflects preliminary unaudited results.

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

³ Reflects workforce that is subject to direct Executive control.

⁴ Before amortization contribution rate reflects the State's normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.

⁵ After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Most Executive agencies are expected to hold spending in FY 2021 to FY 2020 levels, with some exceptions described herein. PS/NPS spending increases in the outyears reflect costs related to juvenile justice reform, salary increases consistent with current labor agreements, growth in SUNY operating costs including labor costs pursuant to the settled UUP contract, and an additional administrative payroll in FY 2021.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS					
(millions of dollars)					
	FY 2020 Results	FY 2021 Enacted	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL¹	11,040	10,055	10,054	9,911	9,972
Mental Hygiene	2,882	2,867	2,916	2,961	3,008
Corrections and Community Supervision ²	2,871	2,704	2,709	2,748	2,745
State Police	774	811	808	828	828
Department of Health ²	710	785	800	797	805
Information Technology Services	540	546	553	564	564
Children and Family Services	146	380	379	379	384
Tax and Finance	316	357	345	344	345
Transportation	345	342	341	341	341
Environmental Conservation	216	240	234	229	228
COVID-19	503	0	0	0	0
Budget Balance Reduction	0	(700)	(750)	(1,000)	(1,000)
All Other	1,737	1,723	1,719	1,720	1,724
UNIVERSITY SYSTEMS	6,426	6,493	6,580	6,778	6,939
State University	6,324	6,490	6,577	6,775	6,936
City University	102	3	3	3	3
INDEPENDENT AGENCIES	337	326	313	313	313
Law	185	192	187	187	187
Audit & Control (OSC)	152	164	161	161	161
Budget Balance Reduction	0	(30)	(35)	(35)	(35)
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	17,803	16,874	16,947	17,002	17,224
Judiciary	2,137	2,234	2,177	2,177	2,177
Legislature	228	249	256	256	256
Budget Balance Reduction	0	(250)	(265)	(265)	(265)
Statewide Total	20,168	19,107	19,115	19,170	19,392
Personal Service	14,090	14,116	14,076	14,208	14,359
Non-Personal Service	6,078	4,991	5,039	4,962	5,033

¹ FY 2020 results include \$185 million in retroactive salary payments for NYSCOPBA, PBA and NYSPIA labor agreements, FY 2021 estimates include \$8 million in retroactive salary payments for PBANYS.

² FY 2020 preliminary actuals exclude costs incurred in response to the COVID-19 pandemic.

FY 2021 spending for agency operations includes 2 percent general salary increases associated with collective bargaining agreements with certain unions. The cost of annual salary increases is expected to be absorbed by most Executive agencies through management plan savings and efficiencies. In addition to the cost of an additional payroll in FY 2021, notable spending changes include:

- **Corrections and Community Supervision.** Lower spending reflects the planned reduction in excess prison capacity due to declines in prison population and retroactive salary payments made in FY 2020, partially offset by increasing costs associated with solitary confinement reforms.
- **Children and Family Services.** Increased spending is mainly driven by the annualized cost of raising the age of criminal responsibility from 16 to 18, and a modification to the youth facility billing process implemented in FY 2020.
- **Tax and Finance.** Higher spending in FY 2021 reflects the timing of certain cost increases, partly offset by savings from the attrition of agency employees.
- **Mental Hygiene.** Increased spending includes the cost of continued delivery of services in State-operated program settings.
- **State University.** Higher operating costs at SUNY hospitals and campuses are expected to drive additional spending in FY 2021.
- **City University.** The reduction in CUNY spending reflects reclassification of certain fees and associated spending, from a special revenue fund to an agency trust fund, to align with current classification of CUNY tuition revenues.
- **Judiciary.** The Judiciary's request for increased operating support to fund salary and staff increases in court operations and security drive higher spending in FY 2021.
- **COVID-19 Pandemic.** FY 2020 actual spending results reflect non-personal service costs incurred in response to the COVID-19 pandemic. Costs include, but are not limited to, medical equipment and supplies, personal protective equipment, laboratory equipment and supplies and drugs. The Federal government is expected to fund the full cost of State pandemic response costs, including those incurred in FY 2020. Aid is expected through the Coronavirus Relief Fund and FEMA disaster assistance grants and aid. Accordingly, the Enacted Budget reflects no net costs from COVID-19 related expenses.
- **Budget Balance Reduction.** Executive agency budgets, with limited exceptions for facility operations and public health and safety, will be reduced by 10 percent from budgeted levels. The Financial Plan assumes that the Judiciary and elected officials will initiate comparable reductions in their budgets for FY 2021.

Workforce

In FY 2021, \$14.1 billion, or 13.4 percent, of the State Operating Funds budget is dedicated to supporting Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY (46,834) and Independent Agencies; employees paid on a nonannual salaried basis; and overtime pay. Roughly 60 percent of Executive agency workforce spending occurs in the mental hygiene agencies and DOCCS.

STATE OPERATING FUNDS		
FY 2021 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	Dollars	FTEs
SUBJECT TO DIRECT EXECUTIVE CONTROL	7,667	96,347
Mental Hygiene	2,379	32,326
Corrections and Community Supervision	2,208	25,611
State Police	750	5,666
Department of Health	296	4,090
Information Technology Services	302	3,421
Tax and Finance	283	4,085
Children and Family Services	266	2,297
Environmental Conservation	201	2,322
Transportation	169	2,591
Financial Services	160	1,391
Budget Balance Reduction	(300)	0
All Other	953	12,547
UNIVERSITY SYSTEMS	4,406	46,834
State University	4,403	46,834
City University ²	3	0
INDEPENDENT AGENCIES	2,043	18,434
Law	138	1,533
Audit & Control (OSC)	131	1,524
Judiciary	1,806	15,374
Legislature ³	193	3
Budget Balance Reduction	(225)	0
Statewide Total	14,116	161,615
<p>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 nonannual salaried positions, such as those filled on an hourly, per-diem or seasonal basis.</p> <p>² CUNY employees are funded through an agency trust fund that supports 13,730 FTEs, which are excluded from this table. The \$3 million in costs represents personal service expenses reflected in the CUNY Tuition Reimbursement account.</p> <p>³ Legislative employees who are nonannual salaried are excluded from this table.</p>		

General State Charges

The State provides a variety of fringe benefits to current and former employees, including health insurance, pensions, workers' compensation coverage, unemployment insurance, survivors' benefits, and dental and vision benefits (some of which are provided through union-specific Employee Benefit Funds). The GSC budget also pays the Social Security payroll tax and certain statewide fixed costs, including taxes on State-owned lands, Payments in Lieu of Taxes (PILOT) and judgments and settlements awarded in the Court of Claims. Many of these payments are mandated by law or collective bargaining agreements.

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, then partially reimbursed by revenue collected from agency fringe benefit assessments.

GSC spending is projected to increase by an average of 6.5 percent over the multi-year Financial Plan period. Growth in health insurance reflects medical inflation and current enrollment levels. Workers' Compensation costs are increasing due to reserve funds that are no longer available to offset growth in the average weekly wage used for benefit calculations and medical costs. Increases in other programs such as employee benefits and dental insurance are attributable to collectively negotiated salary increases and benefit enhancements.

In response to the COVID-19 pandemic, the Federal CARES Act authorized employers to defer payment of non-Medicare payroll taxes from April – December 2020 to be repaid without interest in two equal payments on December 31, 2021 and December 31, 2022. Payroll taxes are 7.65 percent of personal service costs (6.2 percent for Social Security and 1.45 percent for Medicare). The Executive and the Judiciary have elected to defer the allowable non-Medicare payment -- an estimated \$599 million for the Executive and \$68 million for the Judiciary.

Overall pension costs are projected to remain relatively stable based on anticipated investment returns and ongoing savings from Tier 5 and Tier 6 pension reforms. The preliminary FY 2021 pension bill includes a reduction by OSC to the expected rate of return on pension assets from 7 percent to 6.8 percent. This was estimated to increase the State's contribution by roughly \$300 million, however, the higher cost is partially offset by the implementation of a new "mortality improvement" scale and other actuarial adjustments. The State Comptroller does not forecast pension liability estimates beyond the budget year, thus estimates for FY 2022 and beyond are developed by DOB. DOB's forecast assumes growth in the salary base consistent with collective bargaining agreements and a stable rate of return.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
TOTAL STATE OPERATING FUNDS	8,423	8,296	-1.5%	10,153	22.4%	10,728	5.7%	10,843	1.1%
Fringe Benefits	8,063	7,864	-2.5%	9,679	23.1%	10,254	5.9%	10,369	1.1%
Health Insurance	4,303	4,513	4.9%	4,860	7.7%	5,219	7.4%	5,608	7.5%
Pensions	2,456	2,592	5.5%	2,855	10.1%	2,990	4.7%	2,996	0.2%
Social Security	1,070	468	-56.3%	1,472	214.5%	1,489	1.2%	1,175	-21.1%
Workers' Compensation	452	493	9.1%	638	29.4%	697	9.2%	762	9.3%
Employee Benefits	103	108	4.9%	117	8.3%	121	3.4%	121	0.0%
Dental Insurance	55	63	14.5%	65	3.2%	66	1.5%	66	0.0%
Unemployment Insurance	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
All Other/Non-State Escrow	(387)	(385)	0.5%	(340)	11.7%	(340)	0.0%	(371)	-9.1%
Fixed Costs	360	432	20.0%	474	9.7%	474	0.0%	474	0.0%
Public Land Taxes/PILOTS	262	296	13.0%	302	2.0%	302	0.0%	302	0.0%
Litigation	98	136	38.8%	172	26.5%	172	0.0%	172	0.0%

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance 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 2020	FY 2021	FY 2022	FY 2023	FY 2024
	Results	Enacted	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	6,098	7,865	6,915	7,169	6,548
Debt Service	736	1,810	488	501	553
SUNY University Operations	1,179	1,273	1,273	1,267	1,267
Capital Projects	3,128	3,512	3,747	3,917	3,138
Extraordinary Monetary Settlements:	1,345	425	959	747	345
Dedicated Infrastructure Investment Fund	939	1,130	877	525	330
Javits Center Expansion	271	183	0	0	0
Bond Proceeds Receipts for Javits Center Expansion	0	(1,000)	0	0	0
Clean Water Grants	0	25	50	175	0
Mass Transit Capital	3	7	2	2	1
Health Care	132	80	30	45	14
Dedicated Highway and Bridge Trust Fund	397	591	330	448	463
Environmental Protection Fund	28	28	28	96	96
All Other Capital	1,358	2,468	2,430	2,626	2,234
ALL OTHER TRANSFERS	1,055	1,270	1,407	1,484	1,590
Department of Transportation (MTA Payroll Tax)	244	275	369	448	552
SUNY - Medicaid Reimbursement	306	243	243	243	243
NY Central Business District Trust	113	150	152	153	155
Judiciary Funds	114	115	115	115	115
Dedicated Mass Transportation Trust Fund	66	65	65	65	65
Banking Services	40	49	49	49	49
Business Services Center	8	30	30	30	30
Indigent Legal Services	22	28	75	75	75
General Services	20	20	13	10	10
Mass Transportation Operating Assistance	23	21	21	21	21
Correctional Industries	21	21	21	21	21
Health Income Fund	10	16	16	16	16
Public Transportation Systems	16	16	16	16	16
Health Insurance Internal Services Account	8	12	12	12	12
Centralized Technology Services	11	11	11	11	11
Spinal Cord Injury Fund	9	9	9	9	9
All Other	24	189	190	190	190

General Fund transfers to other funds are expected to total \$7.9 billion in FY 2021, a \$1.8 billion increase from FY 2020. The change is largely due to the repayment of the anticipated \$1.5 billion line of credit. Debt service transfers were also higher in FY 2020 as the State prepaid FY 2021 debt at the end of FY 2020.

In addition, capital projects transfers are expected to increase by \$384 million in FY 2021. The capital increase reflects use of new hard dollar resources, rather than debt to fund capital projects. All other transfers in FY 2021 and beyond reflect a conservative estimate of General Fund resources needed to support various programs outside the General Fund.

The DHBTF receives revenue from motor vehicle fees, PBT, the motor fuel tax, Highway Use Tax (HUT), the auto rental tax, utilities taxes, and miscellaneous transportation-related fees. Receipts deposited into the DHBTF are used to pay debt service on transportation bonds, finance capital projects on a PAYGO basis, and pay certain operating expenses of DOT and DMV. The General Fund subsidizes DHBTF expenses, as expenses routinely exceed revenue deposits and bond proceeds.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include General Obligation bonds for which the State is constitutionally obligated to pay debt service, as well as certain bonds issued by State public authorities, such as Empire State Development Corporation (ESD), DASNY, and the New York State Thruway Authority (NYSTA). 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 2020 Results	FY 2021 Enacted	Change	FY 2022 Projected	Change	FY 2023 Projected	Change	FY 2024 Projected	Change
General Fund	736	310	-57.9%	488	57.4%	501	2.7%	553	10.4%
Other State Support	4,180	5,528	32.2%	6,451	16.7%	6,856	6.3%	6,997	2.1%
Liquidity Financing	0	4,500	0.0%	0	-100.0%	0	0.0%	0	0.0%
State Operating/All Funds Total	4,916	10,338	110.3%	6,939	-32.9%	7,357	6.0%	7,550	2.6%

Total State Operating/All Funds debt service is projected to be \$10.3 billion in FY 2021, of which \$310 million is paid from the General Fund via transfers, \$5.5 billion is paid from other State funds supported by dedicated tax receipts, and \$4.5 billion is for repayment of short-term liquidity financings. The General Fund finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTB bonds, and mental health facilities bonds. Debt service growth from FY 2020 to FY 2021 includes the repayment of \$4.5 billion of liquidity financings included as part of the Enacted Budget. The Enacted Budget authorizes up to \$8 billion of PIT notes and \$3 billion of line of credit facilities. The liquidity financings are expected to help the State manage the adverse impact on cash flow that is expected as a result of the extension of the Federal tax filing deadline due to the COVID-19 pandemic impacts. The debt service estimates assume the issuance of \$3 billion of PIT notes and \$1.5 billion of line of credit facilities and full repayment during FY 2021. The interest costs for these financings are expected to be reimbursed by Federal Funds related to COVID-19 expenses and are not reflected in the debt service estimates.

The Financial Plan estimates for debt service spending have been revised to reflect bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect prepayment of \$1.5 billion in FY 2019 for debt service costs due in FY 2020, as well as the prepayment of \$465 million in FY 2020 for debt service costs due in FY 2021. See the section on "Other Matters Affecting the Financial Plan – Debt Reform Act Limit" herein for additional information on the status of State compliance with debt limits established in the State Debt Reform Act.

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.¹⁸

¹⁸ Differences may occur from time to time between the State's Financial Plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Financial Plan and the AIS may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. Any such differences between DOB and OSC could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total receipts and disbursements under different fund perspectives (e.g., State Operating Funds and total All Governmental Funds).

CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2021 THROUGH FY 2024 (millions of dollars)				
	FY 2021	FY 2022	FY 2023	FY 2024
	Enacted	Projected	Projected	Projected
Taxes:				
Withholdings	38,752	42,570	44,344	46,269
Estimated Payments	15,669	12,951	14,091	15,438
Final Payments	3,608	2,882	3,164	3,431
Other Payments	1,611	1,682	1,731	1,783
Gross Collections	59,640	60,085	63,330	66,921
State/City Offset	(1,274)	(1,399)	(1,524)	(1,649)
Refunds	(9,320)	(10,710)	(11,074)	(11,410)
Reported Tax Collections	49,046	47,976	50,732	53,862
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	49,046	47,976	50,732	53,862
Sales and Use Tax	13,463	14,608	15,105	15,626
Cigarette and Tobacco Taxes	971	946	904	864
Vapor Excise Tax	14	6	6	6
Motor Fuel Tax	454	509	507	502
Alcoholic Beverage Taxes	266	264	266	269
Opioid Excise Tax	80	66	66	66
Medical Cannabis Excise Tax	6	6	6	6
Adult Use Cannabis Tax	0	0	0	0
Highway Use Tax	131	139	139	140
Auto Rental Tax	89	99	102	106
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	15,474	16,643	17,101	17,585
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	15,474	16,643	17,101	17,585
Corporation Franchise Tax	4,868	4,883	5,345	5,476
Corporation and Utilities Tax	640	637	654	659
Insurance Taxes	2,165	2,269	2,327	2,389
Bank Tax	270	0	0	0
Petroleum Business Tax	1,014	1,085	1,077	1,068
Business Taxes	8,957	8,874	9,403	9,592
Estate Tax	1,100	1,028	1,077	1,128
Real Estate Transfer Tax	949	1,004	1,061	1,114
Employer Compensation Expense Program	4	6	7	7
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	11	14	14	14
Other Taxes	2	2	2	3
Gross Other Taxes	2,066	2,054	2,161	2,266
Real Estate Transfer Tax (Dedicated)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Other Taxes	2,066	2,054	2,161	2,266
Payroll Tax	0	0	0	0
Total Taxes	75,543	75,547	79,397	83,305
Licenses, Fees, Etc.	378	478	528	578
Abandoned Property	450	450	450	450
Motor Vehicle Fees	1,357	1,260	1,256	1,252
ABC License Fee	60	68	65	64
Reimbursements	124	70	70	66
Investment Income	78	43	27	20
Extraordinary Settlements	80	0	0	0
Other Transactions	28,142	23,490	22,047	21,542
Miscellaneous Receipts	30,669	25,859	24,443	23,972
Federal Receipts	72,833	67,419	68,761	70,749
Total	179,045	168,825	172,601	178,026

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2021 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,944	5,401	63	14,408
Receipts:				
Taxes	37,005	5,630	31,647	74,282
Miscellaneous Receipts	6,373	15,636	381	22,390
Federal Receipts	0	(23)	74	51
Total Receipts	43,378	21,243	32,102	96,723
Disbursements:				
Local Assistance	46,400	15,260	0	61,660
State Operations:				
Personal Service	9,058	5,058	0	14,116
Non-Personal Service	2,597	2,350	44	4,991
General State Charges	7,249	1,047	0	8,296
Debt Service	0	0	10,338	10,338
Capital Projects	0	0	0	0
Total Disbursements	65,304	23,715	10,382	99,401
Other Financing Sources (Uses):				
Transfers from Other Funds	27,564	2,535	4,686	34,785
Transfers to Other Funds	(7,865)	(798)	(26,413)	(35,076)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	19,699	1,737	(21,727)	(291)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,227)	(735)	(7)	(2,969)
Closing Fund Balance	6,717	4,666	56	11,439

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2022 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	36,854	5,630	31,703	74,187
Miscellaneous Receipts	1,750	16,172	385	18,307
Federal Receipts	0	(20)	72	52
Total Receipts	38,604	21,782	32,160	92,546
Disbursements:				
Local Assistance	48,967	15,719	0	64,686
State Operations:				
Personal Service	8,996	5,080	0	14,076
Non-Personal Service	2,543	2,453	43	5,039
General State Charges	9,013	1,140	0	10,153
Debt Service	0	0	6,939	6,939
Capital Projects	0	0	0	0
Total Disbursements	69,519	24,392	6,982	100,893
Other Financing Sources (Uses):				
Transfers from Other Funds	28,850	2,666	3,149	34,665
Transfers to Other Funds	(6,915)	(196)	(28,322)	(35,433)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	21,935	2,470	(25,173)	(768)
Use (Reservation) of Fund Balance:				
Undesignated Fund Balance	548	0	0	548
Extraordinary Monetary Settlements	959	0	0	959
Total Use (Reservation) of Fund Balance	1,507	0	0	1,507
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(7,473)	(140)	5	(7,608)

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2023 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	39,069	5,601	33,370	78,040
Miscellaneous Receipts	1,773	15,592	384	17,749
Federal Receipts	0	(18)	69	51
Total Receipts	40,842	21,175	33,823	95,840
Disbursements:				
Local Assistance	52,444	15,245	0	67,689
State Operations:				
Personal Service	9,059	5,149	0	14,208
Non-Personal Service	2,494	2,425	43	4,962
General State Charges	9,559	1,169	0	10,728
Debt Service	0	0	7,357	7,357
Capital Projects	0	0	0	0
Total Disbursements	73,556	23,988	7,400	104,944
Other Financing Sources (Uses):				
Transfers from Other Funds	29,865	2,741	3,143	35,749
Transfers to Other Funds	(7,169)	(103)	(29,562)	(36,834)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	22,696	2,638	(26,419)	(1,085)
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	747	0	0	747
Total Use (Reservation) of Fund Balance	747	0	0	747
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(9,271)	(175)	4	(9,442)

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2024 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	41,169	5,552	35,232	81,953
Miscellaneous Receipts	1,811	15,117	384	17,312
Federal Receipts	0	(17)	66	49
Total Receipts	42,980	20,652	35,682	99,314
Disbursements:				
Local Assistance	55,585	14,936	0	70,521
State Operations:				
Personal Service	9,199	5,160	0	14,359
Non-Personal Service	2,619	2,371	43	5,033
General State Charges	9,689	1,154	0	10,843
Debt Service	0	0	7,550	7,550
Capital Projects	0	0	0	0
Total Disbursements	77,092	23,621	7,593	108,306
Other Financing Sources (Uses):				
Transfers from Other Funds	31,485	2,854	3,188	37,527
Transfers to Other Funds	(6,548)	(24)	(31,257)	(37,829)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	24,937	2,830	(28,069)	(302)
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	345	0	0	345
Total Use (Reservation) of Fund Balance	345	0	0	345
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(8,830)	(139)	20	(8,949)

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2021 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,944	6,312	(1,035)	63	14,284
Receipts:					
Taxes	37,005	5,630	1,261	31,647	75,543
Miscellaneous Receipts	6,373	15,866	8,049	381	30,669
Federal Receipts	0	70,577	2,182	74	72,833
Total Receipts	43,378	92,073	11,492	32,102	179,045
Disbursements:					
Local Assistance	46,400	76,045	4,982	0	127,427
State Operations:					
Personal Service	9,058	5,731	0	0	14,789
Non-Personal Service	2,597	3,792	0	44	6,433
General State Charges	7,249	1,397	0	0	8,646
Debt Service	0	133	0	10,338	10,471
Capital Projects	0	0	9,752	0	9,752
Total Disbursements	65,304	87,098	14,734	10,382	177,518
Other Financing Sources (Uses):					
Transfers from Other Funds	27,564	2,535	3,904	4,686	38,689
Transfers to Other Funds	(7,865)	(2,852)	(1,514)	(26,413)	(38,644)
Bond and Note Proceeds	0	0	850	0	850
Net Other Financing Sources (Uses)	19,699	(317)	3,240	(21,727)	895
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,227)	4,658	(2)	(7)	2,422
Closing Fund Balance	6,717	10,970	(1,037)	56	16,706

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2022 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	36,854	5,630	1,360	31,703	75,547
Miscellaneous Receipts	1,750	16,399	7,325	385	25,859
Federal Receipts	0	65,134	2,213	72	67,419
Total Receipts	38,604	87,163	10,898	32,160	168,825
Disbursements:					
Local Assistance	48,967	76,017	4,667	0	129,651
State Operations:					
Personal Service	8,996	5,754	0	0	14,750
Non-Personal Service	2,543	3,919	0	43	6,505
General State Charges	9,013	1,514	0	0	10,527
Debt Service	0	0	0	6,939	6,939
Capital Projects	0	0	9,556	0	9,556
Total Disbursements	69,519	87,204	14,223	6,982	177,928
Other Financing Sources (Uses):					
Transfers from Other Funds	28,850	2,666	4,121	3,149	38,786
Transfers to Other Funds	(6,915)	(2,178)	(1,415)	(28,322)	(38,830)
Bond and Note Proceeds	0	0	488	0	488
Net Other Financing Sources (Uses)	21,935	488	3,194	(25,173)	444
Use (Reservation) of Fund Balance:					
Undesignated Fund Balance	548	0	0	0	548
Extraordinary Monetary Settlements	959	0	0	0	959
Total Use (Reservation) of Fund Balance	1,507	0	0	0	1,507
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(7,473)	447	(131)	5	(7,152)
Source: NYS DOB.					

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2023 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	39,069	5,601	1,357	33,370	79,397
Miscellaneous Receipts	1,773	15,819	6,467	384	24,443
Federal Receipts	0	66,478	2,214	69	68,761
Total Receipts	40,842	87,898	10,038	33,823	172,601
Disbursements:					
Local Assistance	52,444	76,777	4,356	0	133,577
State Operations:					
Personal Service	9,059	5,826	0	0	14,885
Non-Personal Service	2,494	3,892	0	43	6,429
General State Charges	9,559	1,544	0	0	11,103
Debt Service	0	0	0	7,357	7,357
Capital Projects	0	0	9,046	0	9,046
Total Disbursements	73,556	88,039	13,402	7,400	182,397
Other Financing Sources (Uses):					
Transfers from Other Funds	29,865	2,741	4,308	3,143	40,057
Transfers to Other Funds	(7,169)	(1,975)	(1,542)	(29,562)	(40,248)
Bond and Note Proceeds	0	0	513	0	513
Net Other Financing Sources (Uses)	22,696	766	3,279	(26,419)	322
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	747	0	0	0	747
Total Use (Reservation) of Fund Balance	747	0	0	0	747
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(9,271)	625	(85)	4	(8,727)

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2024
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	41,169	5,552	1,352	35,232	83,305
Miscellaneous Receipts	1,811	15,344	6,433	384	23,972
Federal Receipts	0	68,497	2,186	66	70,749
Total Receipts	42,980	89,393	9,971	35,682	178,026
Disbursements:					
Local Assistance	55,585	78,237	3,817	0	137,639
State Operations:					
Personal Service	9,199	5,839	0	0	15,038
Non-Personal Service	2,619	3,846	0	43	6,508
General State Charges	9,689	1,530	0	0	11,219
Debt Service	0	0	0	7,550	7,550
Capital Projects	0	0	8,498	0	8,498
Total Disbursements	77,092	89,452	12,315	7,593	186,452
Other Financing Sources (Uses):					
Transfers from Other Funds	31,485	2,854	3,514	3,188	41,041
Transfers to Other Funds	(6,548)	(1,877)	(1,551)	(31,257)	(41,233)
Bond and Note Proceeds	0	0	413	0	413
Net Other Financing Sources (Uses)	24,937	977	2,376	(28,069)	221
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	345	0	0	0	345
Total Use (Reservation) of Fund Balance	345	0	0	0	345
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	(8,830)	918	32	20	(7,860)

Source: NYS DOB.

**CASHFLOW
GENERAL FUND
FY 2021
(dollars in millions)**

	2020 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2021 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,944	8,740	6,219	1,718	9,946	8,787	9,938	9,513	8,395	8,454	8,564	9,617	8,944
RECEIPTS:													
Personal Income Tax	280	911	2,256	5,918	1,324	2,189	1,123	1,157	2,070	1,986	1,473	1,763	22,450
Consumption/Use Taxes	528	528	688	533	502	635	551	532	653	645	507	632	6,934
Business Taxes	263	104	1,167	247	50	1,271	65	11	1,309	79	17	1,923	6,506
Other Taxes	99	98	98	99	99	99	100	100	98	74	74	77	1,115
Total Taxes	1,170	1,641	4,209	6,797	1,975	4,194	1,839	1,800	4,130	2,784	2,071	4,395	37,005
Abandoned Property	0	0	0	0	0	10	35	225	0	0	30	150	450
ABC License Fee	1	1	1	6	6	6	7	5	7	7	7	6	60
Investment Income	16	5	5	5	5	5	10	5	5	5	8	4	78
Licenses, Fees, etc.	20	20	35	20	45	15	35	55	40	20	35	38	378
Motor Vehicle Fees	22	8	3	52	27	27	36	13	44	31	21	47	331
Reimbursements	6	6	19	6	6	20	6	6	19	6	6	18	124
Extraordinary Settlements	80	0	0	0	0	0	0	0	0	0	0	0	80
Other Transactions	8	3,008	1,539	31	8	90	26	8	67	9	20	58	4,872
Total Miscellaneous Receipts	153	3,048	1,602	120	97	173	155	317	182	78	127	321	6,373
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	280	911	2,256	5,176	507	1,808	748	612	680	1,528	1,844	2,802	19,152
ECEP in Excess of Revenue Bond Debt Service	0	0	0	0	0	0	0	0	0	0	0	2	2
Tax in Excess of LGAC	231	72	490	229	227	292	240	242	302	283	157	298	3,063
Sales Tax Bond Fund	121	132	211	120	119	230	131	132	193	173	128	297	1,987
Real Estate Taxes in Excess of CW/CA Debt Service	37	39	34	47	67	67	80	87	86	86	84	67	781
All Other	103	99	104	100	99	183	104	125	105	141	284	1,132	2,579
Total Transfers from Other Funds	772	1,253	3,095	5,672	1,019	2,580	1,303	1,198	1,366	2,211	2,497	4,598	27,564
TOTAL RECEIPTS	2,095	5,942	8,906	12,589	3,091	6,947	3,297	3,315	5,678	5,073	4,695	9,314	70,942
DISBURSEMENTS:													
School Aid	742	4,076	1,929	450	638	1,684	1,022	1,567	2,104	489	744	8,609	24,054
Higher Education	19	27	1,794	194	75	158	198	31	198	34	288	503	3,519
All Other Education	25	92	498	140	116	246	49	52	392	34	165	482	2,291
Medicaid - DOH	240	1,601	2,560	1,036	1,617	1,688	1,212	1,510	1,081	1,419	1,281	371	15,616
Public Health	(4)	191	233	53	31	28	27	27	22	25	63	16	712
Mental Hygiene	76	76	347	139	56	337	111	39	387	131	159	358	2,216
Children and Families	17	67	417	93	79	255	79	79	255	79	130	280	1,830
Temporary & Disability Assistance	66	102	227	161	102	102	102	102	102	102	102	146	1,416
Transportation	0	24	14	0	24	0	0	24	5	0	19	0	110
Unrestricted Aid	2	13	390	2	4	44	13	6	192	3	2	68	739
Budget Balance Reduction	0	0	(300)	(300)	(400)	(1,000)	(500)	(300)	(1,300)	(300)	(800)	(2,800)	(8,000)
All Other	16	24	406	33	26	331	25	21	333	31	54	597	1,897
Total Local Assistance	1,199	6,293	8,515	2,001	2,368	3,873	2,338	3,158	3,771	2,047	2,207	8,630	46,400
Personal Service	859	698	813	844	709	957	710	700	949	692	695	962	9,588
Non-Personal Service	196	222	301	197	210	354	237	210	289	224	207	400	3,047
Budget Balance Reduction	0	0	(98)	(98)	(98)	(98)	(98)	(98)	(98)	(98)	(98)	(98)	(980)
Total State Operations	1,055	920	1,016	943	821	1,213	849	812	1,140	818	804	1,264	11,655
General State Charges	422	338	2,538	403	338	437	480	349	375	467	571	531	7,249
Debt Service	32	0	(2)	79	(3)	(3)	50	0	(2)	1,689	(23)	(7)	1,810
Capital Projects	(513)	541	623	638	625	200	(96)	(81)	235	(115)	22	1,433	3,512
SUNY Operations	6	228	583	261	15	14	9	80	18	9	12	38	1,273
Other Purposes	98	143	134	36	86	62	92	115	82	48	49	325	1,270
Total Transfers to Other Funds	(377)	912	1,338	1,014	723	273	55	114	333	1,631	60	1,789	7,865
TOTAL DISBURSEMENTS	2,299	8,463	13,407	4,361	4,250	5,796	3,722	4,433	5,619	4,963	3,642	12,214	73,169
Excess/(Deficiency) of Receipts over Disbursements	(204)	(2,521)	(4,501)	8,228	(1,159)	1,151	(425)	(1,118)	59	110	1,053	(2,900)	(2,227)
CLOSING BALANCE	8,740	6,219	1,718	9,946	8,787	9,938	9,513	8,395	8,454	8,564	9,617	6,717	6,717
Exclude Budget Balance Reduction	0	0	(398)	(398)	(498)	(1,098)	(598)	(398)	(1,398)	(398)	(898)	(2,898)	(8,980)
Exclude Liquidity Financing	0	(3,000)	(1,500)	425	350	625	375	375	425	1,925	0	0	0
CLOSING BALANCE BEFORE REDUCTIONS/BORROWING	8,740	3,219	(3,180)	5,075	3,768	4,446	3,798	2,657	1,743	3,380	3,535	(2,263)	(2,263)

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 PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) GENERAL RESOLUTION

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the “Resolution”). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. A copy of the General Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer’s knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenue Fund shall mean the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as “State Personal Income Tax Revenue Bonds (General Purpose)” and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Standard Resolution Provisions and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be a debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “State Personal Income Tax Revenue Bonds (General Purpose)”, shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a “Bond”. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Standard Resolution Provisions into a single Series of Bonds for purposes of sale and issuance; provided, however, that each of the tests, conditions and other requirements contained in the Standard Resolution Provisions as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Standard Resolution Provisions, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix “Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (General Purpose)”

1. Revenue Fund,
2. Debt Service Fund,
3. Rebate Fund,
4. Bond Proceeds Fund,
5. Administrative Fund,
6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; provided, however, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; provided, however, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

Debt Service Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

1. The interest due on all Outstanding Bonds on such Interest Payment Date;
2. The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
3. The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
4. The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and
5. Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 504)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such

Series of Bonds and pay out of the Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 505)

Bond Proceeds Fund

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer, shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such Series at purchase prices not exceeding the Redemption Price applicable on the next Interest Payment Date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All

Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Standard Resolution Provisions, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses, the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided, however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any

lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided, however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, *provided* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement Date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; provided, however, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

Bond Counsel shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, Holder or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

(4) If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

(5) With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or Costs of a Project shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of

all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligations accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligations that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligations; *provided, however, that*, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until *the later* of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

(a) The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

(b) The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (A) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (B) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-c of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Resolution and referred to in the Resolution.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the

full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

- (a) Government Obligations,
- (b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; provided that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,
- (c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the Department of the Treasury of the United States of America, then by the custodian designated by the Department of the Treasury of the United States of America,
- (d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,
- (e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or

guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, et seq., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby provided that such fund has total assets of at least \$100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if “primary reporting dealers” cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; provided, however, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and

(m) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; provided, however, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond cancelled or delivered for cancellation at or prior to such date;
2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;
3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and
4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided, however, that* such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and provisions of the Resolution; provided, however, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Resolution to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the

principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; provided, however, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date; provided, however, with respect to any Interest Payment Date for the Series 2020B Notes, the Record Date shall be the last day of the calendar month preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Resolution.

Redemption Price shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury of the United States of America from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by Section 92-z.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from

specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting “Subordinated Indebtedness” in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Resolution, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Resolution, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of

the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;
2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;
3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;
4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;
5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;
6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;
7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;
8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;
9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;
11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;
12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;
13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;
14. The redemption provisions, if any, applicable to the Bonds of such Series;
15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;
16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;
17. Directions for the application of the proceeds of the Bonds of such Series;
18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;
19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and
20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of

the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; provided, however, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Costs of a Project and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

1. A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; provided, however, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

2. (I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

3. A certificate by the Director of the Budget stating that the amounts set forth pursuant to paragraph 1 above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in paragraph 2(II) above for any State Fiscal Year set forth pursuant to paragraph (2)(II) above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection

with exchanges or tenders) and to make such deposits required by the provisions of this section and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

- (1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;
- (2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;
- (3) If Bonds to be refunded are to be deemed paid, either or both of
 - (i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and
 - (ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and
- (4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions "Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; provided, however, that no Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Resolution, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Sections A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligations, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligations shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligations secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in the first paragraph of this section is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Resolution may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Resolution; provided, however, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;
2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;
3. all Issuer Expenses for such State Fiscal Year;
4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;
5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;
6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; provided, however, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under this section, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of this section.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Resolution, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Resolution expressly agree that it shall be an integral part of the contract arising under the Resolution that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of this section, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, provided further, however, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of this section, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement provided, however, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing

Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution to be an integral part of the contract arising under the Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Resolution, (ii) to extinguish the existing lien on Pledged Property created under the Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with this section. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of this section.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; provided, however, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to

delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and
4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and
5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and
6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of this section and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in this section).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and
2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in this section). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide

each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or wilful 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 wilful misconduct. The Issuer's obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least \$100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the

transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least \$100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;
2. To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;
3. To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

5. To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

6. To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

7. To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

8. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

9. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

10. To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

11. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

12. To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

13. To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

14. Notwithstanding the Resolution, to the extent authorized by law and to the extent the Issuer shall have received a Counsel's Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

15. To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Resolution;

16. Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

17. To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

18. To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Resolution, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in the Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of 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, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change

or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in this section or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the Standard Resolution Provisions, to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this section). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from

becoming effective and binding as provided in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as provided in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an “Event of Default”:

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and

the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; provided that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

- (a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;
- (b) bring suit upon such Bonds;
- (c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or
- (d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Resolution are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Resolution, or any other remedy under the

Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any

installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section entitled "Extension of Payment of Bonds" in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the

meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (b) above has been made and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity date or Redemption Date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with this section in the manner provided in the Standard Resolution Provisions. Neither Government Obligations or moneys deposited pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date as the case may be, shall not be counted as Outstanding under the Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

1. The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established

without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

2. The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer. *(Section A-1311)*

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

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APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF
THE SUBORDINATE SUPPLEMENTAL RESOLUTION**

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APPENDIX C-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK SUBORDINATE SUPPLEMENTAL 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 Subordinate Supplemental Resolution Supplementing the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution to Provide for the Authorization and Issuance of Subordinated Indebtedness (for purposes of this Summary, referred to as the “Subordinated Indebtedness Resolution”).

The Summary and the definitions herein are not to be considered a full statement of all terms used in the Subordinated Indebtedness Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Subordinated Indebtedness Resolution. A copy of the Subordinates Indebtedness Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

All of the terms which are defined in the Summary of the Resolution set forth in Exhibit B hereto, unless otherwise defined below or in the Summary of the Subordinate Indebtedness Standard Resolution Provisions, shall have the same meanings, respectively in this Appendix C as such terms are given therein.

Acts means the Issuer Act and the Enabling Act.

Bond or **Bonds** means any of the bonds or notes of the Issuer authorized and issued pursuant to the Subordinated Indebtedness Resolution and a Subordinated Indebtedness Supplemental Resolution authorized by the Subordinated Indebtedness Resolution.

Enabling Act means Article 5-c of the State Finance Law, Section 49-a of Part JJ of Chapter 56 of the Laws of 2020 of the State constituting Section 54 of the Urban Development Corporation Act (being Section 1 of Chapter 174 of the Laws of 1968, as amended), as the same may be amended from time to time.

Issuer Act means 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.

Subordinated Indebtedness Administrative Fund means the Fund designated as the Subordinated Indebtedness Administrative Fund established in the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Bond Proceeds Fund means the Fund designated as the Subordinated Indebtedness Bond Proceeds Fund established in the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Costs of Issuance Account means the account within the Subordinated Indebtedness Bond Proceeds Fund so designated, created and established pursuant to the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Debt Service Fund means the Fund designated as the Subordinated Indebtedness Debt Service Fund established in the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Rebate Fund means the Fund designated as the Subordinated Indebtedness Rebate Fund established in the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Resolution means the Subordinate Supplemental Resolution supplementing the Resolution to provide for the authorization and issuance of Subordinated Indebtedness, as from time to time amended or supplemented by Subordinated Indebtedness Supplemental Resolutions in accordance with the terms and provisions of the Resolution and the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Revenue Fund means the Fund designated as the Subordinated Indebtedness Revenue Fund established in the Subordinated Indebtedness Resolution.

(Section 102)

Subordinated Indebtedness Standard Resolution Provisions

Except as otherwise specifically provided in the Subordinated Indebtedness Resolution or by a Subordinated Indebtedness Supplemental Resolution, the Subordinated Indebtedness Standard Resolution Provisions appended to the Subordinated Indebtedness Resolution as Annex A constitute an integral part of the Subordinated Indebtedness Resolution and have the same force and effect as if set forth in the forepart of the Subordinated Indebtedness Resolution.

(Section 103)

Authority for this Subordinated Indebtedness Resolution

The Subordinated Indebtedness Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 104)

Subordinated Indebtedness Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Subordinated Indebtedness Resolution by those who shall hold the same from time to time, the Resolution, as supplemented by the Subordinated Indebtedness Resolution, shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Subordinated Indebtedness Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Subordinated Indebtedness Resolution; ***provided, however,*** the pledge made in the Subordinated Indebtedness Resolution is subject to and subordinate to the pledge and lien upon the Pledged Property (as such term is defined in the Resolution) as security for the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Senior Bonds and the Senior Parity Reimbursement Obligations.

(Section 105)

Authorization of Bonds

The Subordinated Indebtedness Resolution authorizes one or more Series of Bonds of the Issuer for an Authorized Purpose to be designated as “State Subordinate Personal Income Tax Revenue Bonds (General Purpose)” or “State Subordinate Personal Income Tax Revenue Bond Anticipation Notes (General Purpose)” and creates a continuing pledge and lien to secure the full and final payment of the

principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds, which pledge and lien is subject to and subordinate to the pledge and lien on the Pledged Property securing the Senior Bonds and the Senior Parity Reimbursement Obligations. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Subordinated Indebtedness Resolution and are payable solely out of the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution is not limited except as provided in the Resolution or the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Subordinated Indebtedness Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name “State Subordinate Personal Income Tax Revenue Bonds (General Purpose),” or “State Subordinate Personal Income Tax Revenue Bond Anticipation Notes (General Purpose),” shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; provided that with respect to any Bond denominated as a bond anticipation note, tax anticipation note, revenue anticipation 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 Subordinated Indebtedness Resolution shall be deemed to preclude or restrict the consolidation pursuant to one or more Subordinated Indebtedness Supplemental Resolutions of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Subordinated Indebtedness Supplemental Resolutions to be issued pursuant to any of the provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in this Section or in such Subordinated Indebtedness Supplemental Resolutions, such a consolidated Series shall be treated as a single Series of Bonds for all purposes hereof.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant hereto or to a Subordinated Indebtedness Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Subordinated Indebtedness Standard Resolution Provisions, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Subordinated Indebtedness Resolution, in the Bonds or in the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution.

(Section 501)

Establishment of Funds

The following Funds, which shall be held and administered by the Trustee, except for the Subordinated Indebtedness Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer, are hereby established. Each of such Funds and accounts shall have as a prefix “Dormitory Authority of the State of New York State Personal Income Tax Subordinate Revenue Bonds (General Purpose)”:

1. Subordinated Indebtedness Revenue Fund,
2. Subordinated Indebtedness Debt Service Fund,
3. Subordinated Indebtedness Rebate Fund,
4. Subordinated Indebtedness Bond Proceeds Fund,
5. Subordinated Indebtedness Administrative Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Subordinated Indebtedness Resolution (other than the Subordinated Indebtedness Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Subordinated Indebtedness 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)

Subordinated Indebtedness Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Subordinated Indebtedness Revenue Fund all Subordinated Indebtedness Revenues.

Subordinated Indebtedness Financing Agreement Payments together with any other Subordinated Indebtedness Pledged Property deposited in the Subordinated Indebtedness Revenue Fund, shall be applied to the Funds and accounts established under the Subordinated Indebtedness Resolution consistent with the requirements set forth in the Financing Agreement; *provided, however*, that if the amount of any such payment, together with other Subordinated Indebtedness Pledged Property deposited in the Subordinated Indebtedness Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Subordinated Indebtedness Debt Service Fund, second, to the Subordinated Indebtedness Rebate Fund and, third, to the Subordinated Indebtedness Administrative Fund; *provided, however*, that so long as the total amount held in the Subordinated Indebtedness Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Subordinated Indebtedness Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Subordinated Indebtedness Debt Service Fund.

(Section 503)

Subordinated Indebtedness Debt Service Fund

In addition to the moneys allocated from the Subordinated Indebtedness Revenue Fund pursuant to the Subordinated Indebtedness Resolution, the Trustee shall deposit into the Subordinated Indebtedness

Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Subordinated Indebtedness 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 Subordinated Indebtedness Debt Service Fund:

1. The interest due on all Outstanding Bonds on such Interest Payment Date;
2. The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;
3. The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;
4. The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Subordinated Indebtedness Resolution; and
5. Amounts due with respect to Subordinated Indebtedness Parity Reimbursement Obligations.

Except as otherwise provided in a Subordinated Indebtedness Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, and (ii) the amount remaining in the Subordinated Indebtedness 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 Subordinated Indebtedness Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Subordinated Indebtedness Rebate Fund or, with the concurrence of the Director of the Budget, to the Subordinated Indebtedness Bond Proceeds Fund.

(Section 504)

Subordinated Indebtedness Rebate Fund

The Trustee shall deposit to the Subordinated Indebtedness Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Subordinated Indebtedness Resolution, shall transfer to the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Subordinated Indebtedness 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 Subordinated Indebtedness Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Subordinated Indebtedness Resolution and deposit to the Subordinated Indebtedness Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the Subordinated Indebtedness Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(Section 505)

Subordinated Indebtedness Bond Proceeds Fund

Except as otherwise provided in a Subordinated Indebtedness Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer, shall deposit into the Subordinated Indebtedness Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Subordinated Indebtedness 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 a Subordinated Indebtedness Supplemental Resolution or related Certificate of Determination, amounts in the Subordinated Indebtedness Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes for which revenue bonds may be issued pursuant to paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project, including the financing or refinancing of expenditures of the State described in paragraph (c) of subdivision 1 of Section 54 of the Urban Development Corporation Act, 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 Subordinated Indebtedness 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 Subordinated Indebtedness Revenue Fund. Notwithstanding the foregoing, amounts in the Subordinated Indebtedness Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Subordinated Indebtedness Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Subordinated Indebtedness Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Subordinated Indebtedness Parity Reimbursement Obligations when due.

Except as otherwise provided in the Subordinated Indebtedness Resolution or a Subordinated Indebtedness Supplemental Resolution, investment income on amounts in the Subordinated Indebtedness Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Subordinated Indebtedness Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Subordinated Indebtedness Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Indebtedness Bond Proceeds Fund or transferred to the Subordinated Indebtedness Debt Service Fund.

(Section 506)

Application of Moneys in the Subordinated Indebtedness 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 and the Subordinated Indebtedness Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Subordinated Indebtedness Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Subordinated Indebtedness Supplemental Resolution.

Moneys in the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Subordinated Indebtedness Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Subordinated Indebtedness Administrative Fund

Amounts in the Subordinated Indebtedness Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Subordinated Indebtedness Issuer Expenses, free and clear of the lien and pledge created by the Resolution and the Subordinated Indebtedness Resolution.

Amounts in the Subordinated Indebtedness Administrative Fund being held for Subordinated Indebtedness 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 Subordinated Indebtedness Administrative Fund. Whenever the Subordinated Indebtedness Administrative Fund exceeds the amount reasonable and necessary for Subordinated Indebtedness Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Subordinated Indebtedness Revenue Fund.

Investment income on amounts in the Subordinated Indebtedness Administrative Fund shall be deposited into the Subordinated Indebtedness Revenue Fund.

(Section 508)

Transfer of Investments

Whenever moneys in any Fund or account established under the Subordinated Indebtedness Resolution or under any Subordinated Indebtedness Supplemental Resolution are to be paid in accordance with the Subordinated Indebtedness Resolution to another such Fund or account, such payment may be made, in whole or in part, by transferring to such other Fund or account investments held as part of the Fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made, *provided* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and the Subordinated Indebtedness Resolution and pledge the Subordinated Indebtedness Pledged Property in the manner and to the extent provided in the Resolution and the Subordinated Indebtedness Resolution. The pledge of and lien upon the Subordinate Indebtedness Pledged Property are subject to and subordinate to the pledge of and lien upon the Pledged Property and the Financing Agreement Payments (as such terms are defined in the Resolution) as security for the payment of the principal, sinking fund installments, if any, and redemption price of and interest on the Senior Bonds and the Senior Parity Reimbursement Obligations, 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 Subordinated Indebtedness 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 and this Subordinated Indebtedness Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Subordinated Indebtedness Pledged Property and all the rights of the Holders of Bonds and other obligations under the Subordinated Indebtedness Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

APPENDIX C-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS SUBORDINATED INDEBTEDNESS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary (“Summary”) of certain provisions of the Subordinated Indebtedness Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Subordinated Indebtedness Standard Resolution Provisions or the Subordinated Indebtedness Resolution to which the Subordinated Indebtedness Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Subordinated Indebtedness Standard Resolution Provisions and the Subordinated Indebtedness Resolution. Copies of the Subordinated Indebtedness Standard Resolution Provisions and the Subordinated Indebtedness 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, the Standard Resolution Provisions appended to the Resolution, and the Subordinated Indebtedness Resolution to which the Subordinated Indebtedness Standard Resolution Provisions are appended. In the event the same terms are defined both in the Resolution, including the Standard Resolution Provisions appended thereto, and the Subordinated Indebtedness Resolution, including the Subordinated Indebtedness Standard Resolution Provisions, the definitions set forth in the Subordinated Indebtedness Resolution and the Subordinated Indebtedness Standard Resolution Provisions shall be controlling for purposes of the Subordinate Indebtedness Resolution and the Subordinated Indebtedness Standard Resolution Provisions. The following terms shall, for all purposes in the Subordinated Indebtedness Standard Resolution Provisions and (except as the context may otherwise require) in the Subordinated Indebtedness Resolution to which these Subordinated Indebtedness Standard Resolution Provisions are appended, have the following meanings:

Accreted Value means, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution.

Additional Bonds means Bonds authenticated and delivered on original issuance pursuant to the Subordinated Indebtedness Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, means 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 means with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate means, 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 means any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

Authorized Newspaper means 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 means a purpose as provided by the Enabling Act for the Issuer.

Bank means 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 means any of the bonds or notes of the Issuer authorized and issued pursuant to the Subordinated Indebtedness Resolution and to a Subordinated Indebtedness Supplemental Resolution.

Bond Anticipation Notes means notes issued pursuant to the Subordinated Indebtedness Standard Resolution Provisions.

Bond Counsel means 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, means any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day means 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.

Capital Appreciation Bonds means 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 means a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Subordinated Indebtedness Parity Reimbursement Obligations, Subordinated Indebtedness Credit Facilities, or other matters in accordance with the delegation of power to do so under the Subordinated Indebtedness Resolution or a Subordinated Indebtedness Supplemental Resolution.

Code means 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 and the Subordinated Indebtedness Resolution, including the Bonds or the use of Bond proceeds.

Comptroller means 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 means costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) expenditures of the State described in subdivision 1 of Section 54 of the Urban Development Corporation Act, (ii) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (iii) 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, (iv) 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, (v) 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, (vi) costs and expenses required for the acquisition and installation of equipment or machinery, (vii) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (viii) 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 (ix) grants or loans by or on behalf of the State for any of the foregoing.

Cost or Costs of Issuance means 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 means 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.

Defeased Municipal Obligations means 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 means 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 Subordinated Indebtedness Supplemental Resolution. Except as otherwise provided by Subordinated Indebtedness 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 Subordinated Indebtedness 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 means 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.

Estimated Average Interest Rate means, 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 means any Event of Default set forth in the Subordinated Indebtedness Standard Resolution Provisions.

Fiduciary means 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 means 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 means the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Resolution and referred to in the Subordinated Indebtedness Resolution.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a “Financing Agreement Payment,” to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund means any one of the funds created and established pursuant to the Resolution and the Subordinated Indebtedness Resolution.

Government Obligations means (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; provided, however, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least \$50,000,000 or the custodian is appointed by or on behalf of the United States of America; and provided, further, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; or (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Subordinated Indebtedness Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date means, with respect to any particular Deferred Income Bond, the date determined by Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution.

Interest Payment Date means, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Subordinated Indebtedness Supplemental Resolution authorizing such Bonds.

Investment Obligations means any of the following that are lawful investments at the time of the investment:

- (e) Government Obligations,
- (f) 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,

(g) 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,

(h) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(i) 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,

(j) 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,

(k) 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,

(l) 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 Subordinated Indebtedness Supplemental Resolution; **provided, however**, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(m) commercial paper rated in the highest Rating Category by each Rating Agency,

(n) 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,

(o) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above,

(p) shares or an interest in a mutual fund, partnership or other fund registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as from time to time amended, whose objective is to maintain a constant share value of \$1.00 per share and that is rated in the highest Rating Category for short-term obligations by at least one Rating Agency; and

(q) 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 Subordinated Indebtedness 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 means the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Outstanding, when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions unless a Subordinated Indebtedness Supplemental Resolution provides that Bonds of a Series having the benefit of a Subordinated Indebtedness Credit Facility shall not thereby be deemed paid if payment is provided by the Subordinated Indebtedness Credit Facility;
3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Subordinated Indebtedness Standard Resolution Provisions; and
4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Subordinated Indebtedness Supplemental Resolution.

The principal component of any Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Subordinated Indebtedness Supplemental Resolution, the principal component of such Subordinated Indebtedness Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Paying Agent or Paying Agents means any paying agent for the Bonds of any Series appointed pursuant to the Subordinated Indebtedness 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 means 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.

Principal Installment means, as of any date of calculation and with respect to any Series of Bonds or any Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Subordinated Indebtedness Standard Resolution Provisions as a principal component of such Subordinated Indebtedness Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations means bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Subordinated Indebtedness Resolution to finance Costs of a Project.

Project means expenditures of the State described in subdivision 1 of Section 54 of the Urban Development Corporation Act, and the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds means 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 means, 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 means 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 means 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 means each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category means 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 means 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 Subordinated Indebtedness 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 means, 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 means with respect to any Interest Payment Date, unless the applicable Subordinated Indebtedness Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

Redemption Date means the date upon which Bonds are to be called for redemption pursuant to the Subordinated Indebtedness Resolution.

Redemption Price means, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds means all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Subordinated Indebtedness Standard Resolution Provisions, on original issuance pursuant to the Subordinated Indebtedness Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Subordinated Indebtedness Standard Resolution Provisions.

Regulations means 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 Subordinated Indebtedness Standard Resolution Provisions.

Requisition means 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.

Revenue Bond Tax Fund means the fund established by Section 92-z.

Section 92-z means section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a means section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b means section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c means section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository means 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.

Senior Bond or **Senior Bonds** means any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution (as such term is defined in the Resolution); *provided, however*, that such terms shall not include any Bonds, Bond Anticipation Notes or bonds, notes or other obligations, including bonds, notes or other obligations authorized pursuant to this Subordinated Indebtedness Resolution and a Subordinated Indebtedness Supplemental Resolution and Qualified Swaps payable from the Subordinated Payment Fund.

Senior Parity Reimbursement Obligation has the meaning ascribed to the term “Parity Reimbursement Obligation” in the Resolution; *provided, however*, the term “Senior Parity Reimbursement Obligation” does not include any Subordinated Indebtedness Parity Reimbursement Obligation.

Series means 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 Subordinated Indebtedness Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment means, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Subordinated Indebtedness 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 means the State of New York.

State Fiscal Year means the fiscal year of the State as set forth in the State Finance Law.

State Legislature means the Legislature of the State of New York.

State Revenue Bonds means any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness Calculated Debt Service means for any period, as of any date of calculation and with respect to any Series of Bonds or any Subordinated Indebtedness Parity

Reimbursement Obligations, the sum of Subordinated Indebtedness Debt Service for such period determined by the Issuer based on the following adjustments:

(1) Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

(2) With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Subordinated Indebtedness Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

(3) If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Subordinated Indebtedness 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 Subordinated Indebtedness Pledged Property to redeem Bonds or Subordinated Indebtedness Parity Reimbursement Obligations (which particular Bonds or Subordinated Indebtedness 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 Subordinated Indebtedness Calculated Debt Service.

(5) With respect to Subordinated Indebtedness 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.

Subordinated Indebtedness Credit Facility means any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Subordinated Indebtedness Parity Reimbursement Obligations.

Subordinated Indebtedness Debt Service for any period means, as of any date of calculation and with respect to any Series of Bonds or any Subordinated Indebtedness Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of such Subordinated Indebtedness Parity Reimbursement Obligation accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Subordinated Indebtedness Parity Reimbursement Obligation 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 Subordinated Indebtedness Parity Reimbursement Obligation; *provided, however, that*, unless otherwise set forth in a Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligation.

Subordinated Indebtedness Financing Agreement Payments means those portions of the Financing Agreement Payments that are available from time to time for transfer to the Subordinate

Payment Fund pursuant to the Resolution, other than Subordinate Indebtedness Financing Agreement Payments representing amounts designated by the State to be deposited in an escrow fund for the payment of principal of and premium, if any, and interest on any Bonds to be deemed paid within the meaning of the Resolution and the Subordinated Indebtedness Resolution.

Subordinated Indebtedness Issuer Expenses means all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Subordinated Indebtedness Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; *provided, however*, that Subordinated Indebtedness 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, Subordinated Indebtedness Credit Facilities.

Subordinated Indebtedness Parity Reimbursement Obligation has the meaning provided in the Subordinated Indebtedness Standard Resolution Provisions.

Subordinated Indebtedness Pledged Property means all of the Issuer's right, title and interest in and to (i) the Financing Agreement and in any other financing agreement pledged under the Resolution by Supplemental Resolution, but only that portion of the Financing Agreement Payments comprising Subordinated Indebtedness Financing Agreement Payments and payments under such other financing agreements that are from time to time available for transfer to the Subordinate Payment Fund, other than amounts designated by the State to be deposited in an escrow fund for the payment of principal of and premium, if any, and interest on any Bonds to be deemed paid within the meaning of the Resolution; *provided, however* such term does not include (A) the Issuer's right to receive the payment of Issuer Expenses, including the Subordinated Indebtedness Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments or financing agreement payments under such other financing agreements, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Subordinated Indebtedness Standard Resolution Provisions 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 the portion of the Financing Agreement Payments from time to time available to be transferred to the Subordinate Payment Fund) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Subordinate Indebtedness Revenues and Funds under the Subordinated Indebtedness Resolution (other than the Subordinated Indebtedness Rebate Fund and other Funds under the Subordinated Indebtedness Resolution, and any accounts and subaccounts therein, established pursuant to a Subordinated Indebtedness Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Subordinated Indebtedness Parity Reimbursement Obligations, or Reimbursement Obligations; *provided, however*, that such Funds, accounts and subaccounts are specifically excepted from Subordinated Indebtedness Pledged Property by the Subordinate Indebtedness Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, or Subordinated Indebtedness Parity Reimbursement Obligations), including Investment Obligations held in such Funds under the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution; *provided,*

however, that in no event shall any Project or any interest therein be deemed to be “Subordinated Indebtedness Pledged Property”

Subordinated Indebtedness Supplemental Resolution means any resolution supplemental to or amendatory of the Subordinated Indebtedness Resolution adopted by the Issuer in accordance with the Resolution and the Subordinated Indebtedness Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Subordinated Indebtedness Revenues means (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Subordinated Indebtedness Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Subordinated Indebtedness Resolution.

Tax Law means the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds means any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds means 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 Subordinated Indebtedness Supplemental Resolution authorizing such obligations.

Trustee means 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 Subordinated Indebtedness Resolution.

Valuation Date means (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds means 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 Subordinated Indebtedness Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Subordinated Indebtedness Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Subordinated Indebtedness Parity Reimbursement Obligations authorized to be issued or incurred under the Subordinated Indebtedness Resolution by those who shall hold the same from time to time, the Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations; and the pledge made in the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Subordinated Indebtedness Resolution. The pledge made in the Subordinated Indebtedness Resolution is subject to and subordinate to the pledge of and lien of the Pledged Property (as defined in the Resolution) as security for the payment of the principal, sinking fund installments, if any and redemption price and interest on the Senior Bonds and the Senior Parity Reimbursement Obligations.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution, the Subordinated Indebtedness Resolution and a Subordinated Indebtedness Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Subordinated Indebtedness Resolution and which shall be subject to the express limitations of the Subordinated Indebtedness Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Subordinated Indebtedness 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, the Subordinated Indebtedness Resolution and the Subordinated Indebtedness Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;
2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Subordinated Indebtedness Standard Resolution Provisions;
3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;
4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;
5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;
6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;
7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;
8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;
10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;
11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;
12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;
13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;
14. The redemption provisions, if any, applicable to the Bonds of such Series;
15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;
16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Subordinated Indebtedness Resolution. Except as otherwise provided pursuant to a Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions;
19. To the extent applicable, the provisions relating to (a) any Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or of the applicable Subordinated Indebtedness Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution;

(B) A 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 Subordinated Indebtedness Resolution, and the Resolution and the Subordinated Indebtedness Resolution have been duly and lawfully adopted by the Issuer, are in full force and effect and are valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution or the Subordinated Indebtedness Resolution is required, (ii) the Subordinated Indebtedness Resolution creates the valid pledge to the payment of the Bonds of the Subordinated Indebtedness Pledged Property which it purports to create pursuant to the Subordinated Indebtedness Standard Resolution Provisions, subject to the provisions of the Resolution and the Subordinated Indebtedness 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 the Subordinated Indebtedness Resolution, respectively, 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 the Subordinated Indebtedness Resolution and entitled to the benefits of the Acts, the Resolution and the Subordinated Indebtedness 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 and the Subordinated Indebtedness 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, the Subordinated Indebtedness Resolution or of any of the Bonds; **provided, however**, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Subordinated Indebtedness 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, the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution, one or more Subordinated Indebtedness 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 Subordinated Indebtedness Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series, if any, 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 Subordinated Indebtedness Standard Resolution Provisions or any Subordinated Indebtedness Supplemental Resolution adopted pursuant to the Subordinated Indebtedness Standard Resolution Provisions.

The Issuer may authorize by Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or of the applicable Subordinated Indebtedness Supplemental Resolution.

The Issuer may authorize by Subordinated Indebtedness Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution and the Subordinated Indebtedness 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 and the Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations or other indebtedness, upon such conditions as the Issuer may determine in a Subordinate Indebtedness Supplemental Resolution.

(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 Subordinated Indebtedness Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Subordinated Indebtedness 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 the Subordinated Indebtedness Resolution and of the Subordinated Indebtedness Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Subordinated Indebtedness Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Subordinated Indebtedness Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

- (1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;
- (2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Subordinated Indebtedness Standard Resolution Provisions to the Holders of the Bonds being refunded;
- (3) If Bonds to be refunded are to be deemed paid, either or both of
 - (i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and
 - (ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Subordinated Indebtedness Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Subordinated Indebtedness Standard Resolution Provisions; and

- (4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Subordinated Indebtedness Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Subordinated Indebtedness Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Subordinated Indebtedness Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Subordinated Indebtedness Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Subordinated Indebtedness Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Subordinated Indebtedness Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Subordinated Indebtedness Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Subordinated Indebtedness Standard Resolution Provisions; and shall otherwise comply with any

applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Subordinated Indebtedness Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Subordinated Indebtedness Credit Facilities; Qualified Swaps and other similar arrangements; Subordinated Indebtedness Parity Reimbursement Obligations

(a) The Issuer may include such provisions in a Subordinated Indebtedness Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Subordinated Indebtedness Credit Facility as the Issuer deems appropriate, including:

1. So long as the Subordinated Indebtedness Credit Facility is in full force and effect, and payment on the Subordinated Indebtedness Credit Facility is not in default and the provider of the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Subordinated Indebtedness Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution or the Subordinated Indebtedness Resolution, including, without limitation, under the captions "Subordinated Indebtedness Supplemental Resolutions" and "Amendments", and following a default under the caption "Defaults and Remedies; Defeasance", except where the Subordinated Indebtedness Credit Facilities provide only liquidity support and not credit support.

2. 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 Subordinated Indebtedness 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 Subordinated Indebtedness Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Subordinated Indebtedness Credit Facility.

(b) In addition, such Subordinated Indebtedness Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Subordinated Indebtedness Credit Facility, (ii) to provide relevant information to the provider of the Subordinated Indebtedness Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Subordinated Indebtedness Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Subordinated Indebtedness Credit Facility.

(c) In connection therewith the Issuer may enter into such agreements with the issuer of such Subordinated Indebtedness Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Subordinated Indebtedness Credit Facility; (ii) the terms and conditions of such Subordinated Indebtedness Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Subordinated Indebtedness Credit Facility.

(d) The Issuer may secure such Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution. The Issuer may also in an agreement with the provider of such Subordinated Indebtedness Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Subordinated Indebtedness Credit Facility, together with interest thereon (the “Reimbursement Obligation”) solely from Subordinated Indebtedness Pledged Property; *provided, however*, that no Reimbursement Obligation shall be created, for purposes of the Subordinated Indebtedness Resolution, until amounts are paid under such Subordinated Indebtedness 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, Subordinated Indebtedness Pledged Property on a parity with the lien created by the Subordinated Indebtedness 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 “Subordinated Indebtedness Parity Reimbursement Obligation”. Subordinated Indebtedness 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. Subordinated Indebtedness Parity Reimbursement Obligations may be evidenced by Bonds designated as “Bank Bonds.” Any such Subordinated Indebtedness Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Subordinated Indebtedness Credit Facility which gave rise to such Subordinated Indebtedness Parity Reimbursement Obligation relates.

(e) Any such Subordinated Indebtedness Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Subordinated Indebtedness Supplemental Resolution.

(f) 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 Subordinated Indebtedness 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 Indebtedness Pledged Revenues. 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.

(g) Subordinated Indebtedness Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Subordinated Indebtedness Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution and the Subordinated Indebtedness Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Subordinated Indebtedness Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to the provisions of Subordinated Indebtedness Standard Resolution Provisions, may by adoption of a Subordinate Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Subordinated Indebtedness Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination. Nothing in this paragraph shall prevent the issuance of other notes, such as tax anticipation notes or revenue anticipation notes, or the providing for similar matters with respect thereto, as specified in the Subordinate Indebtedness Supplemental Resolution authorizing the issuance thereof.

(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 Subordinated Indebtedness Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Subordinated Indebtedness Pledged Property created by the Subordinated Indebtedness Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Subordinated Indebtedness Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Subordinated Indebtedness Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Subordinated Indebtedness Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Sections A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in this section. There is pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Subordinated Indebtedness Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Subordinated Indebtedness Resolution, subject only to the provisions of the Subordinated Indebtedness Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Subordinated Indebtedness Pledged Property; ***provided, however,*** such pledge and the lien upon the Subordinated Indebtedness Pledged Property are subject to and subordinate to the pledge and lien on the Pledged Property (as defined in the Resolution) as security for the payment of the principal, sinking fund installments, if any, and redemption price and interest on the Senior Bonds and the Senior Parity Reimbursement Obligations. 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 Subordinated Indebtedness Parity Reimbursement Obligations issued and to be issued under the Subordinated Indebtedness Resolution, without preference, priority or distinction, except as otherwise provided in the Subordinated Indebtedness Standard Resolution Provisions, of any one Bond or Subordinated Indebtedness Parity Reimbursement Obligation over any other Bond or Subordinated Indebtedness Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise.

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, the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Subordinated Indebtedness Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in this section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Subordinated Indebtedness 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 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 or the Subordinated Indebtedness Resolution, to the

benefit of the Resolution or the Subordinated Indebtedness Resolution, respectively, 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted thereby 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 Subordinated Indebtedness 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 Subordinated Indebtedness Pledged Property pledged or assigned by the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Subordinated Indebtedness 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 the Subordinated Indebtedness Resolution and to pledge the Subordinated Indebtedness Pledged Property purported to be pledged by the Subordinated Indebtedness Resolution in the manner and to the extent provided in the Subordinated Indebtedness Resolution. Except to the extent otherwise provided in the Subordinated Indebtedness Standard Resolution Provisions, which provides for the pledge of the Subordinated Indebtedness Pledged Property to be subject to and subordinate to the pledge of the Pledged Property (as defined in the Resolution) as security for the Senior Bonds and the Senior Parity Reimbursement Obligations, the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Pledged

Property and all of the rights of the Bondholders under the Subordinated Indebtedness Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Subordinated Indebtedness Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Subordinated Indebtedness Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Subordinated Indebtedness Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Subordinated Indebtedness Pledged Property except as provided in the Resolution or the Subordinated Indebtedness Resolution; ***provided, however***, that nothing contained in the Subordinated Indebtedness Resolution shall prevent the Issuer from issuing evidences of indebtedness payable out of, or secured by a pledge of, Subordinated Indebtedness Revenues to be derived on and after such date as the pledge of the Subordinated Indebtedness Revenues provided in the Subordinated Indebtedness Resolution shall be discharged and satisfied as provided in the Subordinated Indebtedness Standard Resolution Provisions.

(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 and the Subordinated Indebtedness Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Subordinated Indebtedness Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;
2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Subordinated Indebtedness Parity Reimbursement Obligations due in such State Fiscal Year;
3. all Subordinated Indebtedness 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 Subordinated Indebtedness Resolution;
6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution and the Subordinated Indebtedness Resolution as they become due; ***provided, however,*** that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments, including Subordinated Indebtedness Financing Agreement Payments, shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and provided, further, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Subordinated Indebtedness Resolution and other amounts available under the Subordinated Indebtedness Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or the issuance of any Subordinated Indebtedness Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of this section.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Subordinated Indebtedness Parity Reimbursement Obligations or other obligations under the Subordinated Indebtedness Resolution (including obligations incurred pursuant to the Subordinated Indebtedness Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c, the Resolution and the Subordinated Indebtedness 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 Subordinated Indebtedness 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, the Resolution and the Subordinated Indebtedness 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 Subordinated Indebtedness 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, Subordinated Indebtedness Parity Reimbursement Obligations or other obligations issued or incurred under the Subordinated Indebtedness 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, Subordinated Indebtedness Parity Reimbursement Obligations and other obligations issued or incurred under the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, nothing contained in the Acts, the Resolution or the Subordinated Indebtedness Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations and other obligations issued under the Subordinated Indebtedness Resolution expressly agree that it shall be an integral part of the contract arising under the Subordinated Indebtedness 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 Subordinated Indebtedness Credit Facility, if any, affected thereby, or, in the event that there is no Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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, Subordinated Indebtedness Parity Reimbursement Obligations, and other obligations issued or incurred under the Subordinated Indebtedness Resolution to be an integral part of the contract arising under the Subordinated Indebtedness Resolution that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Subordinated Indebtedness Revenues pledged under the Subordinated Indebtedness Resolution, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Subordinated Indebtedness Resolution, (ii) to extinguish the existing lien on Subordinated Indebtedness Pledged Property created under the Subordinated Indebtedness Resolution, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations, and other obligations issued or incurred under the Subordinated Indebtedness Resolution, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with this section. (Any Bonds paid or deemed to have been paid in accordance with the Subordinated Indebtedness Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of this section.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations, or other obligations issued or incurred under the Subordinated Indebtedness 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, Subordinated Indebtedness 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 Subordinated Indebtedness Revenues securing the Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations, or other obligations issued or incurred under the Subordinated Indebtedness Resolution as of the day immediately preceding such assumption or payment of the Bonds and Subordinated Indebtedness 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, including the Subordinated Indebtedness Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; *provided, however*, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Subordinated Indebtedness Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments, including

Subordinated Indebtedness Financing Agreement Payments, be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Subordinated Indebtedness Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Subordinated Indebtedness Standard Resolution Provisions and shall grant the remedies contained in the Subordinated Indebtedness Standard Resolution Provisions, provided that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Subordinated Indebtedness Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Subordinated Indebtedness Standard Resolution Provisions; and
4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations, and other obligations issued or incurred under the Subordinated Indebtedness Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Subordinated Indebtedness 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, Subordinated Indebtedness Parity Reimbursement Obligations, and other obligations secured under the Subordinated Indebtedness Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Subordinated Indebtedness Standard Resolution Provisions; and
6. the Issuer shall furnish the Trustee and any provider of a Subordinated Indebtedness Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of this section and the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Subordinated Indebtedness Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in this section).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Subordinated Indebtedness Parity Reimbursement Obligations, or other obligations issued or incurred under the Subordinated Indebtedness 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, Subordinated Indebtedness Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Subordinated Indebtedness Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and
3. the Issuer shall furnish the Trustee and any provider of a Subordinated Indebtedness Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of this section and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to this section (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in this section). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder shall be effective only if accompanied by proof of the holding or owning, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer provided for in this section is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in this section) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in this section). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such

notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 and the Subordinated Indebtedness 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 and the Subordinated Indebtedness 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 Subordinated Indebtedness Credit Facility and the Trustee in writing that an “Event of Default”, as such term is defined in the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act and payable from the Subordinated Payment Fund, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution, the Subordinated Indebtedness 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 the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution shall be held, deposited or transferred in accordance with the Resolution and the Subordinated Indebtedness Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Subordinated Indebtedness Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 and the Subordinated Indebtedness 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 Subordinated Indebtedness 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, the Subordinated Indebtedness Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Subordinated Indebtedness Resolution except for its own negligence or wilful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Subordinated Indebtedness 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 or the Subordinated Indebtedness 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 or the Subordinated Indebtedness 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 or the Subordinated Indebtedness 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 or the Subordinated Indebtedness 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 the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, and which are not due to its negligence or wilful 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 and the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Subordinated Indebtedness Parity Reimbursement Obligations as provided in the Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations may be incurred.

(Section A-901)

Subordinated Indebtedness Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Subordinated Indebtedness Resolution against, or provide limitations and restrictions contained in the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution or the Subordinated Indebtedness Resolution as theretofore in effect;
3. To add to the limitations or restrictions in the Subordinated Indebtedness Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution or the Subordinated Indebtedness Resolution as theretofore in effect;
4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, or any Subordinated Indebtedness Supplemental Resolution of the Subordinated Indebtedness Pledged Property, including the Subordinated Indebtedness Revenues or the Funds, and other moneys and securities;
6. To modify any of the provisions of the Subordinated Indebtedness Supplemental 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 Subordinated Indebtedness Supplemental Resolution shall cease to be Outstanding and (ii) such Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;
7. To add to the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution in any manner in order to provide for a Subordinated Indebtedness Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Subordinated Indebtedness Resolution, so long as the Issuer determines that such Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, so long as the Issuer determines that such Subordinated Indebtedness 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 Subordinated Indebtedness Resolution as are necessary or desirable and are not contrary to or inconsistent with the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution or the Subordinated Indebtedness 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, prior to the issuance of the initial Series under the Subordinated Indebtedness Resolution, effect amendments of the type mentioned in paragraphs 10 and 11 above by a certificate, which should be attached to the minutes of the meeting at which the Subordinated Indebtedness Resolution is adopted and filed with the Trustee whereupon the Subordinated Indebtedness Resolution, as so amended, shall be deemed to be the Subordinated Indebtedness Resolution;

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 terms and provisions of the Subordinated Indebtedness Standard Resolution Provisions, 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 Subordinated Indebtedness Resolution and such other provisions of the Subordinated Indebtedness Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Subordinated Indebtedness Resolution;

16. Notwithstanding the terms and provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Subordinated Indebtedness Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Subordinated Indebtedness Standard Resolution Provisions, the Issuer may adopt a Subordinated Indebtedness Supplemental Resolution amending any provision of the Subordinated Indebtedness 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)

Subordinated Indebtedness Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Subordinated Indebtedness Standard Resolution Provisions, at any time or from time to time, a Subordinated Indebtedness Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the Subordinated Indebtedness Standard Resolution Provisions, which Subordinated Indebtedness Supplemental Resolution, upon adoption and upon compliance with the Subordinated Indebtedness Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Subordinated Indebtedness Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution or the Subordinated Indebtedness Resolution it is provided shall be so delivered.

Any Subordinated Indebtedness Supplemental Resolution referred to and permitted or authorized by the Subordinated Indebtedness Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in the Subordinated Indebtedness Standard Resolution Provisions. Every Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution and the Subordinated Indebtedness Resolution, is authorized or permitted by the Resolution and the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution is authorized or permitted by the Subordinated Indebtedness Resolution.

The Trustee is authorized to accept delivery of a certified copy of any Subordinated Indebtedness Supplemental Resolution permitted or authorized pursuant to the Subordinated Indebtedness Resolution and to make all further agreements and stipulations which may be contained in the Subordinated Indebtedness Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Subordinated Indebtedness Supplemental Resolution is authorized or permitted by the provisions of the Subordinated Indebtedness Resolution.

No Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution, with the written consent given as provided in the Subordinated Indebtedness Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holders of such Bonds, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution making a modification or amendment permitted by the Subordinated Indebtedness Standard Resolution Provisions, to take effect when and as provided in this section. A copy of such Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution when consented to as in this section). Such Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Subordinated Indebtedness Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Subordinated Indebtedness Resolution, is authorized or permitted by the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution (which may be referred to as a Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated

Indebtedness Supplemental Resolution and the written statement of the Issuer provided for in the Subordinated Indebtedness Resolution is filed (but failure to publish such notice shall not prevent such Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution as it may deem expedient.

For the purpose of the Subordinated Indebtedness Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Subordinated Indebtedness Standard Resolution Provisions in the manner provided therein, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Subordinated Indebtedness Resolution. At the time of any consent or other action taken under the Subordinated

Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an “Event of Default”:

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) Business Days; or

(b) payment of principal, Sinking Fund Installments, interest or premium on any Senior Bond or payment of any Senior Parity Reimbursement Obligation 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

(c) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(d) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) Business Days; or

(e) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(f) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(h) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution, the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions, in a Subordinated Indebtedness 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 Subordinated Indebtedness Resolution.

It is expressly understood that nothing in section or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Subordinated Indebtedness Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the paragraph (a) under the section entitled “Events of Default” above, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified under the section entitled “Events of Default” above, 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 Subordinated Indebtedness Resolution, which are subject to and subordinate to the rights of the Holders of Senior Bonds and Senior Parity Reimbursement Obligations, ***provided, however,*** that in no event shall the Holders of the Bonds or the Subordinated Indebtedness Parity Reimbursement Obligations declare the same, nor instruct the Trustee to declare the same, to be immediately due and payable at any time that any Senior Bonds or Senior Parity Reimbursement Obligations remain Outstanding;

(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 in the Subordinated Indebtedness Resolution 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or existing at law or in equity or by statute on or after the date of adoption of the Subordinated Indebtedness Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Subordinated Indebtedness Resolution are abrogated. It is further expressly understood that the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, or any other remedy under the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Subordinated Indebtedness Resolution or under the Bonds, except in the manner provided in the Subordinated Indebtedness Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Subordinated Indebtedness Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Subordinated Indebtedness Standard Resolution Provisions. Nothing in the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated

Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section entitled "Extension of Payment of Bonds" in the Subordinated Indebtedness Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Subordinated Indebtedness 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 Subordinated Indebtedness Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or the Bonds or Subordinated Indebtedness 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 Subordinated Indebtedness Pledged Property then remaining unexpended in the hands of the Trustee (except Subordinated Indebtedness Pledged Property deposited or pledged, or

required by the terms of the Subordinated Indebtedness Resolution to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Subordinated Indebtedness Pledged Property as provided in Article V of the Subordinated Indebtedness Resolution shall extend to or affect any subsequent default under the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions. Neither Government Obligations or moneys deposited pursuant to this section nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments,

if any, or Redemption Price, if applicable, and interest on said Bonds; provided that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Subordinated Indebtedness Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Subordinated Indebtedness Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Subordinated Indebtedness Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution solely for the purpose of the calculation of Calculated Debt Service required under the Subordinated Indebtedness 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 Subordinated Indebtedness 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 and the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Subordinated Indebtedness Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or any Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or in any Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations and the providers of Subordinated Indebtedness Credit Facilities any right, remedy or claim under or by reason of the Subordinated Indebtedness Resolution or any Subordinated Indebtedness Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Subordinated Indebtedness Resolution or any Subordinated Indebtedness 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 Subordinated Indebtedness Parity Reimbursement Obligations and the providers of Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution and shall in no way affect the validity of the other provisions of the Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Subordinated Indebtedness 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 Subordinated Indebtedness 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 Subordinated Indebtedness Resolution or a Subordinated Indebtedness 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 Subordinated Indebtedness Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Subordinated Indebtedness Resolution shall be executed by an Authorized Officer of the Issuer. *(Section A-1311)*

Governing Laws

The Subordinated Indebtedness Resolution, including the Subordinated Indebtedness 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 Subordinated Indebtedness 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)

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APPENDIX D

FORM OF FINANCING AGREEMENT

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APPENDIX D

**CONFORMED COPY OF
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)
FINANCING AGREEMENT**

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the “Financing Agreement”), dated as of July 1, 2009, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the “Issuer”), and the State of New York (the “State”), acting by and through the Director of the Budget of the State (the “Director of the Budget”).

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the “Issuer Act”) and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the “Enabling Act”, which together with the Issuer Act is referred to herein as the “Acts”), adopted its State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution on April 29, 2009 (including Annex A thereto), and a Supplemental Resolution (collectively, the “Resolution”) for the purpose of issuing from time to time one or more series of bonds (the “Bonds”), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act (“Authorized Purposes”) pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (General Purpose), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts

sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (General Purpose) Bond Anticipation Notes (“BANs”) in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes

of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments)

and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-Exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments

required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the constitutional and statutory audit powers granted the State or any officer thereof, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements

as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any supplemental agreement entered into pursuant to this Section 5.3 in any manner; provided that no such amendment, modification or rescission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or rescission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or rescission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

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

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State: Director of the Budget
State of New York
Executive Department
Division of the Budget
State Capitol, Room 113
Albany, New York 12224

If to the Issuer: General Counsel
Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

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

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

State of New York

Director of the Budget

Dormitory Authority of the State of New York

Authorized Officer

Approval as to form:
Attorney General

By: _____

Date: _____

Approved:

By: _____
State Comptroller

Date: _____

APPENDIX E

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

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APPENDIX E

PROPOSED FORMS OF CO-BOND COUNSEL OPINIONS

FORM OF APPROVING OPINION OF HAWKINS DELAFIELD & WOOD LLP, CO-BOND COUNSEL TO DASNY FOR THE SERIES 2020B NOTES

Upon delivery of the Series 2020B Notes, Hawkins Delafield & Wood LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

HAWKINS DELAFIELD & WOOD LLP
7 WORLD TRADE CENTER, 250 GREENWICH STREET, 41ST FLOOR
NEW YORK, NEW YORK 10007-2442

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 \$3,382,200,000 aggregate principal amount of State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose), Series 2020B (the “Notes”).

The Notes are issued under and pursuant to the Dormitory Authority Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (“2001 Chapter 383”), and Section 49-a of Part JJ of Chapter 56 of the Laws of New York of 2020 (“2020 Chapter 56” and together with 2001 Chapter 383, the “Enabling Act”), the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “General Resolution”), and the Subordinate Supplemental Resolution supplementing the General Resolution to provide for the issuance of Subordinated Indebtedness (the “Subordinate Supplemental Resolution”), as supplemented by Subordinate Supplemental Resolution No. 1 Authorizing State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose) (“Supplemental Resolution No. 1” and together with the Subordinate Supplemental Resolution, the “Subordinate Resolutions”), each adopted by the Authority on April 8, 2020. The General Resolution and the Subordinate Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has reserved the right to issue (i) additional bonds and notes on the terms and conditions and for the purposes stated in the Subordinate Supplemental Resolution (referred to herein as the “Subordinate Obligations”), and (ii) additional senior bonds and notes on the terms and conditions and for the purposes stated in the General Resolution (referred to herein as the “Senior Obligations”). Under and subject to the terms of the Resolutions, the Notes and all Subordinate Obligations issued under and pursuant to the Subordinate Supplemental Resolution will rank equally as to security and payment, and will be subordinate as to security and payment to all Senior Obligations heretofore and hereafter

issued under the General Resolution. In addition, the Notes and any other bonds or notes issued on a subordinate basis pursuant to the Enabling Act will rank on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), which payments will be junior and subordinate to payments from the Revenue Bond Tax Fund for all State Personal Income Tax Revenue Obligations issued pursuant to the Enabling Act by Authorized Issuers on a senior basis, in each case subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Series 2020B Notes have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

1. The Authority has been duly created and is validly existing under the 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 Subordinated Indebtedness Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

3. The Series 2020B Notes 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 2020B Notes are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Series 2020B Notes be payable out of funds of the Authority other than those pledged for the payment of the Series 2020B Notes.

5. The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York, as supplemented (the “Financing Agreement”), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

6. Under existing statutes and court decisions, (i) interest on the Notes 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 Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the New York State Division of the Budget (“DOB”) and others, and we have assumed compliance by the Authority, DOB and others with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

7. Under existing statutes, interest on the Series 2020B Notes 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 as to any other federal, state or local tax consequences arising with respect to the Series 2020B Notes, or the ownership or disposition thereof, except as stated in paragraphs 6 and 7 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2020B Notes.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2020B Notes, 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 Note, and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

FORM OF APPROVING OPINION OF GOLDEN HOLLEY JAMES LLP,
CO-BOND COUNSEL TO DASNY FOR THE SERIES 2020B NOTES

Upon delivery of the Series 2020B Notes, Golden Holley James LLP, Co-Bond Counsel to DASNY, proposes to issue its legal opinion in substantially the following form:

GOLDEN HOLLEY JAMES LLP
ONE GRAND CENTRAL PLACE,
60 EAST 42ND STREET, SUITE 4700
NEW YORK, NEW YORK 10017

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

Ladies and Gentlemen:

We, as Co-Bond Counsel to the Dormitory Authority of the State of New York (the “Authority”), a body corporate and politic of the State of New York (the “State”), constituting a public benefit corporation created and existing under the Dormitory Authority Act, being Chapter 524 of the Laws of New York of 1944, as amended (the “Dormitory Authority Act”), have examined a record of proceedings relating to the issuance of the Authority’s \$3,382,200,000 aggregate principal amount of State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose), Series 2020B (the “Notes”).

The Notes are issued under and pursuant to the Dormitory Authority Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (“2001 Chapter 383”), and Section 49-a of Part JJ of Chapter 56 of the Laws of New York of 2020 (“2020 Chapter 56” and together with 2001 Chapter 383, the “Enabling Act”), the State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution adopted by the Authority on April 29, 2009 (the “General Resolution”), and the Subordinate Supplemental Resolution supplementing the General Resolution to provide for the issuance of Subordinated Indebtedness (the “Subordinate Supplemental Resolution”), as supplemented by Subordinate Supplemental Resolution No. 1 Authorizing State Personal Income Tax Subordinate Revenue Anticipation Notes (General Purpose) (“Supplemental Resolution No. 1” and together with the Subordinate Supplemental Resolution, the “Subordinate Resolutions”), each adopted by the Authority on April 8, 2020. The General Resolution and the Subordinate Resolutions are herein collectively referred to as the “Resolutions”. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolutions.

The Authority has reserved the right to issue (i) additional bonds and notes on the terms and conditions and for the purposes stated in the Subordinate Supplemental Resolution (referred to herein as the “Subordinate Obligations”), and (ii) additional senior bonds and notes on the terms and conditions and for the purposes stated in the General Resolution (referred to herein as the “Senior Obligations”). Under and subject to the terms of the Resolutions, the Notes and all Subordinate Obligations issued under and pursuant to the Subordinate Supplemental Resolution will rank equally as to security and payment, and will be subordinate as to security and payment to all Senior Obligations heretofore and hereafter issued under the General Resolution. In addition, the Notes and any other bonds or notes issued on a subordinate basis pursuant to the Enabling Act will rank on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the “Revenue Bond Tax Fund”), which payments will be junior and subordinate to payments from the

Revenue Bond Tax Fund for all State Personal Income Tax Revenue Obligations issued pursuant to the Enabling Act by Authorized Issuers on a senior basis, in each case subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Authority nor the owners of the Notes have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

We are of the opinion that:

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.

The Resolutions create the valid pledge which they purport to create of the Subordinated Indebtedness Pledged Property, subject to the application thereof to the purposes and on the conditions permitted by the Resolutions.

The Notes 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.

The Notes are not a debt of the State of New York, and the State of New York is not liable thereon, nor shall the Notes be payable out of funds of the Authority other than those pledged for the payment of the Notes.

The Financing Agreement dated as of July 1, 2009, between the Authority and the Director of the Budget of the State of New York, as supplemented (the "Financing Agreement"), has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery thereof by the Director of the Budget of the State of New York, constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

Under existing statutes, interest on the Notes 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 as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraph 6 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Notes, 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 Note and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

APPENDIX F

EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS

MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009, as of December 1, 2010, and as of June 10, 2019 (as so amended and restated, the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction. (i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document. "*Annual Information*" shall mean the information specified in Section 3.

"*Authorized Issuer*" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"*Authorizing Document*" shall mean the applicable Authorized Issuer's State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"*Bonds*" shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA*" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

“*Enabling Act*” shall mean Article 5-C of the 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, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) modifications to rights of security holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;

- (10) release, substitution, or sale of property securing repayment of the securities, if material
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation¹ of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation¹ of the obligated person, any of which reflect financial difficulties.

(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,

¹ In accordance with Rule 15c2-12, for purposes of the events identified in clauses (15) and (16) above, the term “financial obligation” means (i) debt obligation; (ii) derivative instrument entered into by the obligated person in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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 PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND" which shall include information relating to the following:*

(I) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rates, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed 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-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently

required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

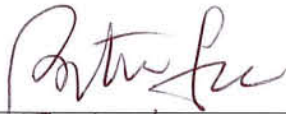
SECTION 12. Effective Date.

This Agreement, as amended and restated as of June 10, 2019 (primarily to incorporate the listed events described in clauses (15) and (16) of Section 2(ii)(a)), shall become effective with respect to the State, an Authorized Issuer and a trustee under an Authorizing Document, only as of the amended effective date of such party's execution of this Agreement by its duly authorized officer, as set forth on the following signature pages.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the respective dates set forth below.

AUTHORIZED ISSUERS:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: 
Name: Portia Lee
Title: Managing Director

Amended Effective Date: June 10, 2019

NEW YORK STATE THRUWAY AUTHORITY

By: _____
Name: _____
Title: _____

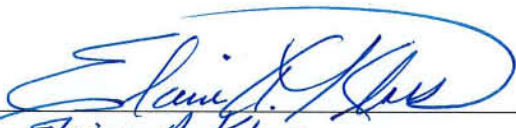
Amended Effective Date: _____

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

By: _____
Name: _____
Title: _____

Amended Effective Date: _____

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development

By: 
Name: Elaine A. Kloss
Title: Chief Financial Officer

Amended Effective Date: June 10, 2019

NEW YORK STATE HOUSING FINANCE AGENCY

By: _____
Name: _____
Title: _____

Amended Effective Date: _____

[Signature Page of Authorized Issuers of New York Personal Income Tax Revenue Bonds Master Continuing Disclosure Agreement]

THE STATE OF NEW YORK

Obligated Person

By: Thomas P. DiNapoli, Comptroller

By: Robert B. Ward

Name: Robert B. Ward

Title: Deputy Comptroller

Amended Effective Date: June 10, 2019

By: Robert F. Mujica, Jr., Director of the Budget

By: Robert F. Mujica, Jr.

Name: Robert F. Mujica, Jr.

Title: Director of the Budget

Amended Effective Date: June 10, 2019

[Signature Page of State Officials for State of New York Personal Income Tax Revenue Bonds
Master Continuing Disclosure Agreement]

TRUSTEES:

THE BANK OF NEW YORK MELLON

*as Trustee or successor Trustee for the benefit of
Dormitory Authority of the State of New York Bondholders*

Amended Effective Date: June 10, 2019

By:  _____
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Environmental Facilities Corporation Bondholders*

Amended Effective Date: June 10, 2019

By:  _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION

*as successor Trustee for the benefit of New York State
Housing Finance Agency Bondholders*

Amended Effective Date: June 10, 2019

By: _____
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Thruway Authority Bondholders*

Amended Effective Date: June 10, 2019

By:  _____
Authorized Signatory

THE BANK OF NEW YORK MELLON

*as Trustee for the benefit of New York State
Urban Development Corporation Bondholders*

Amended Effective Date: June 10, 2019

By:  _____
Authorized Signatory

[Signature Page of Trustees for State of New York Personal Income Tax Revenue Bonds
Master Continuing Disclosure Agreement]

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