NEW ISSUE — BOOK-ENTRY ONLY

$1,543,815,000
New York State Urban Development Corporation
State Personal Income Tax Revenue Bonds
(General Purpose)

$741,460,000	$802,355,000
Series 2019A	**Series 2019B (Federally Taxable)**
Dated: Date of Delivery	**Due: As shown on the inside cover pages**

The New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A (the "Series 2019A Bonds"), and the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2019B (Federally Taxable) (the "Series 2019B Bonds"; and, collectively with the Series 2019A Bonds, the "Series 2019 Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as Empire State Development. The Series 2019 Bonds are secured by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Corporation by the State of New York (the "State") under a financing agreement (the "Financing Agreement") between the Corporation and the State, acting by and through the Director of the Division of the Budget (the "Director of the Budget"). Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund (as hereinafter defined) to provide for the payment of the Series 2019 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). 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 BONDS—Legislative Changes to the State Personal Income Tax Revenue Bond Financing Program."

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

The Series 2019 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2019 Bonds be payable out of any funds other than those of the Corporation 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 2019 Bonds. The Corporation has no taxing power.

The Series 2019 Bonds will be issued as fixed rate obligations, fully registered, in denominations of $5,000 or any integral multiple thereof. The Series 2019 Bonds will bear interest at the rates and mature at the times shown on the inside cover pages hereof. Interest on the Series 2019 Bonds is payable on each March 15 and September 15, commencing September 15, 2019.

The Series 2019 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 7 — BOOK-ENTRY ONLY SYSTEM" herein. So long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2019 Bonds, payments of principal or redemption price of and interest on the Series 2019 Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

The Series 2019 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinion of Nixon Peabody LLP, Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Corporation and the Departments described herein, interest on the Series 2019A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Nixon Peabody LLP, Co-Bond Counsel, is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Nixon Peabody LLP, Co-Bond Counsel, is further of the opinion that interest on the Series 2019 Bonds is exempt from personal income taxation imposed by the State of New York or any political subdivision thereof including The City of New York. Interest on the Series 2019B Bonds is not excluded from gross income for federal income tax purposes under the Code. See "PART 12 — TAX MATTERS" herein.

The Series 2019 Bonds are offered, when, as and if issued and delivered to the Initial Purchasers. The Series 2019 Bonds are subject to approval of legality by Nixon Peabody LLP, New York, New York, and Pearlman & Miranda LLC, New York, New York (collectively, "Co-Bond Counsel"), and to certain other conditions. It is expected that the Series 2019 Bonds will be delivered in definitive form in New York, New York, on or about January 16, 2019.

January 8, 2019

$1,543,815,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

Maturity Schedule

$741,460,000
SERIES 2019A

Base CUSIP[1]: 650035

Due March 15	Amount	Interest Rate	Yield	CUSIP[1] Suffix
2021	$23,615,000	5.000%	1.750%	7R3
2033	12,805,000	5.000	2.730[2]	7S1
2034	32,755,000	5.000	2.800[2]	7T9
2035	34,420,000	5.000	2.900[2]	7U6
2036	36,120,000	5.000	2.960[2]	7V4
2037	37,920,000	5.000	3.010[2]	7W2
2038	39,810,000	5.000	3.060[2]	7X0
2039	41,805,000	5.000	3.110[2]	7Y8
2040	43,895,000	5.000	3.150[2]	7Z5
2041	46,090,000	5.000	3.170[2]	8A9
2042	48,400,000	5.000	3.190[2]	8B7
2043	50,830,000	5.000	3.230[2]	8C5
2044	53,355,000	5.000	3.240[2]	8D3
2045	56,015,000	5.000	3.250[2]	8E1
2046	58,820,000	4.000	3.640[2]	8F8
2047	61,185,000	4.000	3.650[2]	8G6
2048	63,620,000	4.000	3.660[2]	8H4

[1] Copyright, American Bankers Association ("ABA"). CUSIP data herein are provided by CUSIP Global Services ("CGS"), operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP numbers listed above have been assigned by an independent company not affiliated with the Corporation and are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2019 Bonds, and none of the Corporation or the Initial Purchasers make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019 Bonds.

[2] Priced to the first call date of September 15, 2028.

$802,355,000
SERIES 2019B (FEDERALLY TAXABLE)

Base CUSIP[1]: 650035
Base ISIN[1]: US650035

Due March 15	Amount	Interest Rate	Price or Yield	CUSIP[1] Suffix	ISIN[1] Suffix	Common Code[2]
2021	$28,825,000	2.940%	100%	8J0	8J08	193625720
2022	54,450,000	2.970	100	8K7	8K70	193626602
2023	56,060,000	3.000	3.110	8L5	8L53	193626645
2024	57,745,000	3.100	3.190	8M3	8M37	193626769
2025	59,540,000	3.250	3.340	8N1	8N10	193626785
2026	61,465,000	3.350	100	8P6	8P67	193626793
2027	63,525,000	3.440	100	8Q4	8Q41	193626963
2028	65,715,000	3.540	100	8R2	8R24	193627161

$355,030,000 3.900% Term Bond due March 15, 2033 Price 100% CUSIP[1] 6500358W1 ISIN[1] US6500358W19
Common Code[2] 193627170

[1] Copyright, American Bankers Association ("ABA"). CUSIP and ISIN data herein are provided by CUSIP Global Services ("CGS"), operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. CUSIP and ISIN numbers listed above have been assigned by an independent company not affiliated with the Corporation and are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2019 Bonds, and none of the Corporation or the Initial Purchasers make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP and/or ISIN number for a specific maturity is subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2019 Bonds.

[2] The Common Codes are provided herein by Euroclear Bank S.A./N.V. Common Codes are provided for convenience of reference only. None of the Corporation or the Initial Purchasers is responsible for the selection or uses of these Common Codes, and no representation is made as to their correctness on the applicable Series 2019 Bonds or as included herein.

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 2019 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the State, the Corporation, and other sources which are believed to be reliable by the Corporation and with respect to the information supplied or authorized by the State and information provided by other sources, is not to be construed as a representation by the Corporation. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State or the Corporation. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019 BONDS, THE INITIAL PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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

IN CONNECTION WITH OFFERS AND SALES OF SERIES 2019 BONDS, NO ACTION HAS BEEN TAKEN BY THE CORPORATION THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2019 BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2019 BONDS, THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2019 BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE INITIAL PURCHASER(S) OF THE SERIES 2019 BONDS ARE OBLIGATED TO COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION IN WHICH THEY PURCHASE, OFFER OR SELL SERIES 2019 BONDS OR POSSESS OR DISTRIBUTE THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2019 BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE PURCHASE, OFFER OR SALE BY THEM OF SERIES 2019 BONDS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY NON-U.S. JURISDICTION TO WHICH THEY ARE SUBJECT OR IN WHICH THEY MAKE SUCH PURCHASES, OFFERS OR SALES AND THE CORPORATION SHALL HAVE NO RESPONSIBILITY THEREFOR.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

THE CORPORATION (REFERRED TO IN THESE LEGENDS AS THE "ISSUER") MAKES NO REPRESENTATION AS TO, AND HAS UNDERTAKEN NO VERIFICATION CONCERNING, THE ACCURACY, COMPLETENESS OR ADEQUACY OF THE INFORMATION UNDER THIS CAPTION. EACH SUCCESSFUL BIDDER THAT INTENDS TO SELL IN THE BELOW MENTIONED NON-U.S. JURISDICTIONS CERTIFIES THAT IT IS SOLELY RESPONSIBLE FOR COMPLIANCE WITH THE SECURITIES AND OTHER APPLICABLE LAWS OF SUCH JURISDICTION AND IS NOT RELYING ON THE BELOW SUMMARIES FOR SUCH COMPLIANCE. REFERENCES UNDER THIS CAPTION TO "BONDS" OR "SECURITIES" MEAN THE SERIES 2019 BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 30 UNITS (BEING 150 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $150,000).

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("EEA"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED, THE "INSURANCE MEDIATION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE "PROSPECTUS DIRECTIVE"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EEA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE SECURITIES. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE INITIAL PURCHASERS TO PRODUCE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE INITIAL PURCHASERS HAS AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE INITIAL PURCHASERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

IN RELATION TO EACH MEMBER STATE OF THE EEA THAT HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A "RELEVANT MEMBER STATE"), WITH EFFECT FROM AND

INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE, THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THAT RELEVANT MEMBER STATE, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS DIRECTIVE), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT INITIAL PURCHASER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 3(2) OF THE PROSPECTUS DIRECTIVE; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY INITIAL PURCHASER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 16 OF THE PROSPECTUS DIRECTIVE.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE BONDS IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS, AS THE SAME MAY BE VARIED IN THAT RELEVANT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT RELEVANT MEMBER STATE.

EACH SUBSCRIBER FOR OR PURCHASER OF THE SECURITIES IN THE OFFERING LOCATED WITHIN A RELEVANT MEMBER STATE WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE. THE ISSUER AND EACH INITIAL PURCHASER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. IT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE ISSUER. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

THE OFFER OF THE BONDS HAS NOT BEEN AND WILL NOT BE REGISTERED OR FILED WITH, OR APPROVED BY, THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN AND/OR OTHER REGULATORY AUTHORITY OF TAIWAN PURSUANT TO RELEVANT SECURITIES LAWS AND REGULATIONS, AND THE BONDS MAY NOT BE OFFERED, ISSUED OR SOLD IN TAIWAN THROUGH A PUBLIC OFFERING OR IN CIRCUMSTANCES WHICH CONSTITUTE AN OFFER WITHIN THE MEANING OF THE SECURITIES AND EXCHANGE ACT OF TAIWAN THAT REQUIRES THE REGISTRATION OR FILING WITH OR APPROVAL OF THE FINANCIAL SUPERVISORY COMMISSION OF TAIWAN. THE BONDS MAY BE MADE AVAILABLE OUTSIDE TAIWAN FOR PURCHASE BY INVESTORS RESIDING IN TAIWAN (EITHER DIRECTLY OR THROUGH PROPERLY LICENSED TAIWAN INTERMEDIARIES), BUT MAY NOT BE OFFERED OR SOLD IN TAIWAN EXCEPT TO QUALIFIED INVESTORS VIA A TAIWAN LICENSED INTERMEDIARY. ANY SUBSCRIPTIONS OF BONDS SHALL ONLY BECOME EFFECTIVE UPON ACCEPTANCE BY THE ISSUER OR THE RELEVANT DEALER OUTSIDE TAIWAN AND SHALL BE DEEMED A CONTRACT ENTERED INTO IN THE JURISDICTION OF INCORPORATION OF THE ISSUER OR RELEVANT DEALER, AS THE CASE MAY BE, UNLESS OTHERWISE SPECIFIED IN THE SUBSCRIPTION DOCUMENTS RELATING TO THE BONDS SIGNED BY THE INVESTORS.

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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 2019 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

State Personal Income Tax Revenue Bond Financing Program	Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the "Commissioner") and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes the New York State Urban Development Corporation (the "Corporation"), the Dormitory Authority of the State of New York ("DASNY"), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency ("HFA") and the New York State Thruway Authority (the "Thruway Authority" and collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Corporation. State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured solely by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon, which together constitute the pledged property under the applicable general resolution.
Purpose of Issue	The Series 2019 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State. For a more complete description of the expected application of proceeds of the Series 2019 Bonds, see "PART 6 — THE PROJECTS" herein.
Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts	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 Bonds) 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

Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts ***(continued)***	from the New York State Employer Compensation Expense Program (the "ECEP"), which 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 State Charitable Gifts Trust Fund, as discussed below, and to hold harmless the State Personal Income Tax Revenue Bond Program. 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 State 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 BONDS – Legislative Changes to 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 have 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. The New York State Personal Income Tax Receipts and the New York State ECEP Receipts are sometimes collectively referred to herein as the "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 2016-17 through 2018-19 are as follows (dollars in billions):

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

State Fiscal Year	New York State Personal Income Tax Receipts	New York State ECEP Receipts	Revenue Bond Tax Fund Receipts
2016-17	$47.6	N/A	$11.9
2017-18	51.5	N/A	12.9
2018-19*	50.4**	**	25.2***

*As estimated in the FY 2019 Mid-Year Update to the Financial Plan.

** For purposes of this Official Statement, the estimated amount does not differentiate between New York State Personal Income Tax Receipts and New York State ECEP Receipts. 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, resulting in substantially the same amount of expected Revenue Bond Tax Fund Receipts regardless of the amount of New York State ECEP Receipts.

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

The Series 2019 Bonds are special obligations of the Corporation, being secured by a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of the Corporation and certain funds held by the Trustee under the Corporation's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution (the "General Resolution").

The Series 2019 Bonds are issued on a parity with all other Bonds which have been or may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds (of which $34.9 billion were outstanding as of January 1, 2019) are on a parity with each other as to payments from the Revenue Bond Tax Fund subject to annual appropriation by the State.

Financing agreement payments are made from certain personal income taxes and employer compensation expense taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.**

The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made

Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts ***(continued)***	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 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." **The Series 2019 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2019 Bonds be payable out of any funds other than those of the Corporation 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 2019 Bonds. The Corporation has no taxing power.** **The Series 2019 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by the application of the proceeds of Series 2019 Bonds.**
Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature. The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2018-19. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS."
Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts	If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all certified financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund of the State (the "General Fund") to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers.

Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts	In the event that: (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the 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 the Corporation. After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are to be paid over and distributed to the credit of the General Fund. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund."
Additional Bonds and Debt Service Coverage	The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to (a) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for particular Authorized Purposes and (b) the additional bonds test described below and included in each general resolution authorizing State Personal Income Tax Revenue Bonds. As provided in the General Resolution, and in each of the general resolutions of the other Authorized Issuers, additional State Personal Income Tax Revenue Bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, the additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations. In accordance with the additional bonds debt service coverage test described above, Revenue Bond Tax Fund Receipts of approximately $26.5* billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 7.0 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2019 Bonds. 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

* Assumes 50 percent of Personal Income Tax Receipts have been deposited in the Revenue Bond Tax Fund during the applicable 12 consecutive calendar months for purposes of calculating the additional bonds debt service coverage test.

Additional Bonds and Debt Service Coverage ***(continued)***	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 Bonds. However, debt service coverage on State Personal Income Tax Revenue Bonds 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 BONDS—Legislative Changes to the State Personal Income Tax Revenue Bond Financing Program." While additional State Personal Income Tax Revenue Bonds 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 Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND—Projected Debt Service Coverage." As of January 1, 2019, approximately $34.9 billion of State Personal Income Tax Revenue Bonds were outstanding.
Appropriation by State Legislature	The State Legislature is expected to make appropriations annually from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay annual financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. Such an appropriation has been enacted for State Fiscal Year 2018-19. 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. 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.
Continuing Disclosure	In order to assist the Initial Purchasers of the Series 2019 Bonds in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Disclosure Agreement (as hereinafter defined). See "PART 18 — CONTINUING DISCLOSURE" and "APPENDIX D — EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT."

OFFICIAL STATEMENT

Relating to

$1,543,815,000
New York State Urban Development Corporation
State Personal Income Tax Revenue Bonds
(General Purpose)

$741,460,000	**$802,355,000**
Series 2019A	**Series 2019B**
	(Federally Taxable)

PART 2 — INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover pages, Summary Statement and appendices, is to set forth certain information concerning the State of New York (the "State") and the New York State Urban Development Corporation (the "Corporation"), a body corporate and politic constituting a public benefit corporation of the State, doing business as Empire State Development ("ESD"), in connection with the offering by the Corporation of its $741,460,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A (the "Series 2019A Bonds") and $802,355,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2019B (Federally Taxable) (the "Series 2019B Bonds"; and together with the Series 2019A Bonds, the "Series 2019 Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2019 Bonds being offered hereby are set forth on the inside cover pages of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2019 Bonds, and the statutory allocation of 50 percent (formerly 25 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 Bonds. 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 State Personal Income Tax Revenue Bonds. 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 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 BONDS — The Revenue Bond Tax Fund" and "— Legislative Changes to the Personal Income Tax Revenue Bond Financing Program."

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

The Series 2019 Bonds are authorized to be issued pursuant to the Enabling Act, and the New York State Urban Development Corporation Act, Chapter 174 of the Laws of New York of 1968, as amended and supplemented (the "UDC Act"), and other provisions of State law. The Enabling Act authorizes the Authorized Issuers to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued (the "Authorized Purposes"). The issuance of State-supported Debt is limited in the State Finance Law to the financing of capital works or purposes only, which include the acquisition, construction, demolition or replacement of fixed assets, the major repair or renovation thereof, or the planning or design of the acquisition, construction, demolition, replacement, repair or renovation of fixed assets. The Enabling Act, together with the UDC Act, constitute the "Authorizing Legislation."

The Series 2019 Bonds are additionally authorized under (i) the Corporation's State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution, adopted by the Corporation on November 16, 2009 (the "General Resolution"), (ii) the Corporation's Supplemental Resolution Authorizing State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A and State Personal Income Tax Revenue Bonds (General Purpose), Series 2019B (Federally Taxable), adopted on December 20, 2018 (the "Series 2019 Supplemental Resolution"), and (iii) the Corporation's Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A and Series 2019B (Federally Taxable), adopted on December 20, 2018 (the "Series 2019 Bond Financing Committee Resolution", and together with the General Resolution and the Series 2019 Supplemental Resolution being herein, except as the context otherwise indicates, collectively referred to as the "Resolution" and any bonds issued pursuant to the General Resolution, including the Series 2019 Bonds, being herein referred to as the "Bonds").

The Series 2019 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolution, will be equally and ratably secured thereunder. The Series 2019 Bonds and all other State Personal Income Tax Revenue Bonds which have heretofore been issued or may be issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the "Pledged Property" with respect to each such Authorized Issuer, including the Corporation). The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds adopted by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are required to be equal to the amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of January 1, 2019, approximately $34.9 billion of State Personal Income Tax Revenue Bonds were outstanding. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — Series 2019 Bonds" and "— Additional Bonds."

The Series 2019 Bonds are being issued for the purpose of financing and refinancing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State. In addition, proceeds of the Series 2019 Bonds will be used to pay all or part of the cost of issuance of the Series 2019 Bonds. For a more complete description of the expected application of proceeds of the Series 2019 Bonds, see "PART 6 — THE PROJECTS" herein. **The Series 2019 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed with proceeds of the Series 2019 Bonds.**

Pursuant to the Authorizing Legislation, the Corporation and the State entered into a financing agreement dated as of December 1, 2009 (the "Financing Agreement"). See "APPENDIX C — FORM OF FINANCING AGREEMENT." **The Series 2019 Bonds are not secured by the Projects or any interest therein.**

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

The Series 2019 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2019 Bonds be payable out of any funds other than those of the Corporation 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 2019 Bonds. The Corporation has no taxing power.

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

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

The Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund for the purpose of setting aside New York State Personal Income Tax Receipts 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 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 Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments

authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Articles 22 and 24 of the Tax Law.

Legislative Changes to 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 legislative changes included the creation of the ECEP and the State Charitable Gifts Trust Fund described further below. The ECEP and the State 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 Bond 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 Bonds.

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 New York State Personal Income Tax Revenue Bonds (the "Maximum Revenue Bond Tax Fund Deposit"). Prior to 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 State 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 State Charitable Gifts Trust Fund are claimed for the tax year following the year in which the donation is made.

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 State Charitable Gifts Trust Fund for the 2019, 2020 and 2021 tax years results in Federal determinations of underpayment of Federal income tax, there could be a material expense to the State. 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 State 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 2019 Updated Financial Plan does not include any estimate of the possible State reimbursement of interest expense to the State.

The amount of donations made by New York State taxpayers to the State Charitable Gifts Trust Fund constitutes the principal direct risk to, and could materially and adversely affect the aggregate amount of, Revenue Bond Tax Fund Receipts. 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.

Federal Response

In response to legislative proposals and actions taken by a number of states, including New York, which address the impact of the TCJA $10,000 limitation on the Federal income tax deduction for state and local taxes, the Internal Revenue Service and the United States Treasury have proposed regulations that would substantially reduce 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. The proposed regulations, if adopted in their current form, would likely result in lower donations to the State Charitable Gifts Trust Fund.

Series 2019 Bonds

The Series 2019 Bonds are special obligations of the Corporation, secured by and payable from Financing Agreement Payments payable by the State Comptroller to The Bank of New York Mellon, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Corporation in accordance with the terms and provisions of the Financing Agreement, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the General Resolution (other than the Rebate Fund and other Funds as provided in the Resolution). A copy of the Financing Agreement relating to the Series 2019 Bonds is included as Appendix C hereto. The Series 2019 Bonds are entitled to a lien, created by a pledge under the General Resolution, on the Pledged Property. The Pledged Property with respect to the Series 2019 Bonds consists of (i) the payments made pursuant to the Financing Agreement and (ii) the Funds and accounts established under the General Resolution (other than the Rebate Fund and the Administrative Fund as provided in the Resolution) and the investment earnings thereon.

The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately $26.5[*] billion are available to pay financing agreement payments on a pro-forma basis, which amount represents approximately 7.0 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2019 Bonds. It should be noted, however, that if New York State taxpayer donations to the State Charitable Gifts Trust Fund approach maximum levels of participation, the aggregate amount of New York State Personal Income Tax Receipts would be materially and adversely affected which, in turn, could result in a material reduction in the debt service coverage on State Personal Income Tax Revenue Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been satisfied. See "— Additional Bonds" below and "PART 4 — SOURCES OF NEW YORK STATE PERSONAL

[*] Assumes 50 percent of Personal Income Tax Receipts have been deposited in the Revenue Bond Tax Fund during the applicable 12 consecutive calendar months for purposes of calculating the additional bonds debt service coverage test.

INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND — Projected Debt Service Coverage."

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

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 the Corporation 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 Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.

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

   (a) 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

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

3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.

4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget, sufficient to pay the required payment on each issue on or before the date such payment is due.

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New

York State Personal Income Tax Receipts (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 Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or "swap") agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts 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 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 Bonds of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without appropriation, to immediately transfer amounts from the General Fund to the Revenue Bond Tax Fund, the amount of such deficiency. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

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

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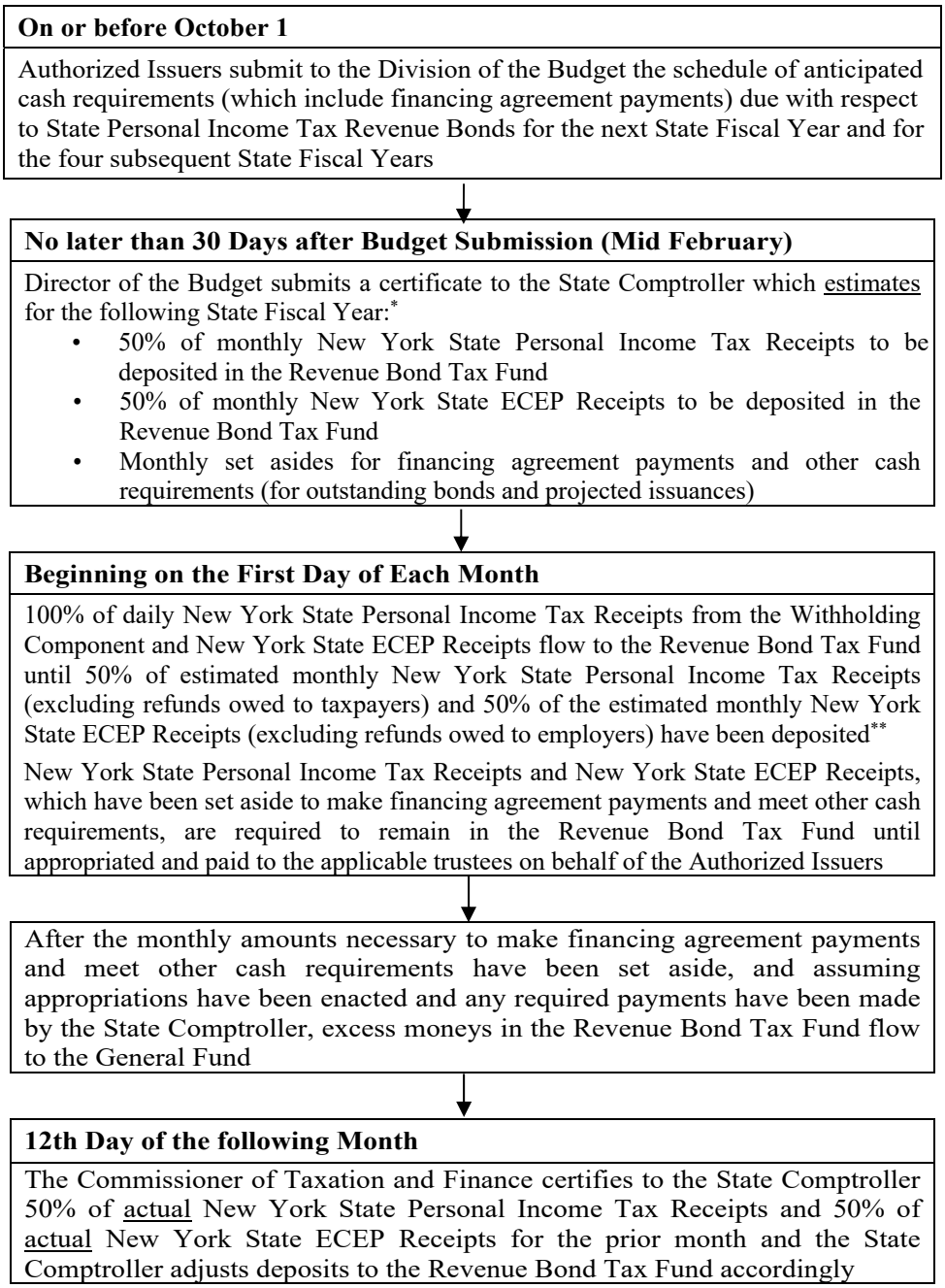
Flow of Revenue Bond Tax Fund Receipts

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 Bonds.

** 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 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

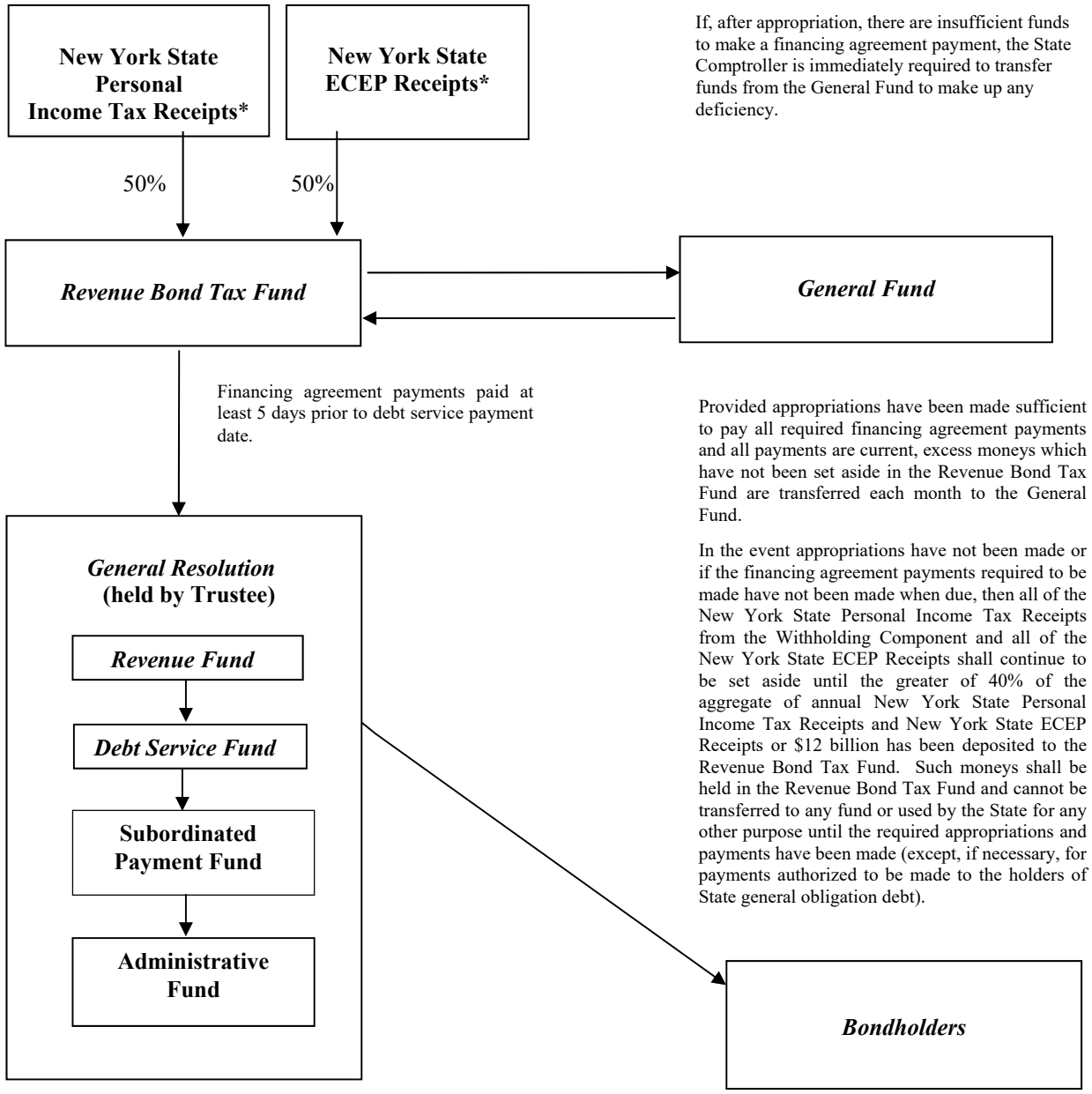
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Corporation and other Authorized Issuers (which are paid to the applicable trustees on behalf of the Corporation 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 the Corporation 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 the Corporation 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 the Corporation and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Corporation 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 the Corporation and all other Authorized Issuers the amounts necessary for the Corporation and all other Authorized Issuers to meet their cash requirements for the current State Fiscal Year and, to the extent certified by the Director of the Budget, set aside any cash requirements required for the next State Fiscal Year.

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Bonds, the Enabling Act, 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 the Corporation.

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

Flow of Revenues



* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 and Article 24 of the Tax Law.

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.

The Corporation 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.

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

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

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

Additional Bonds

As provided in each general resolution, except as provided in the next paragraph with respect to certain refunding bonds, additional State Personal Income Tax Revenue Bonds may be issued by the related Authorized Issuer, provided that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the

Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations.

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

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

Parity Reimbursement Obligations

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

Certain Covenants of the State

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

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 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 tax 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 Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

Reservation of State's Right to Substitute Credit

Pursuant to the Enabling Act, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that may

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

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

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

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 BONDS – Legislative Changes to 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.

The following tables set forth the rate schedules for tax years 2018 and 2019 and for tax years after 2019, which are the same as the tax year 2018 schedule except that (i) the 8.82 percent top rate bracket expires and (ii) middle class tax rates are phased-in between tax years 2018 and 2025.

New York State Personal Income Tax Rates for Tax Years 2018 and 2019

	Tax[±]
Married Filing Jointly and Qualified Widow(er)	
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 6.33% of excess over $43,000
Over $161,550 but not over $323,200	$9,597 plus 6.57% of excess over $161,550
Over $323,200 but not over $2,155,350	$20,218 plus 6.85% of excess over $323,200
Over $2,155,350	$145,720 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 6.33% of excess over $21,400
Over $80,650 but not over $215,400	$4,793 plus 6.57% of excess over $80,650
Over $215,400 but not over $1,077,550	$13,646 plus 6.85% of excess over $215,400
Over $1,077,550	$72,703 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 6.33% of excess over $32,200
Over $107,650 but not over $269,300	$6,344 plus 6.57% of excess over $107,650
Over $269,300 but not over $1,616,450	$16,964 plus 6.85% of excess over $269,300
Over $1,616,450	$109,244 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 2018 through 2019, all taxable income becomes effectively subject to a flat 8.82 percent tax rate. Furthermore, the marginal tax rates between 6.33 percent and 6.57 percent are reduced to 6.21 percent and 6.49 percent, respectively, in tax year 2019.

New York State Personal Income Tax Rates for Tax Years After 2019 and Before 2025

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 $43,000	$1,202 plus 5.90% of excess over $27,900
Over $43,000 but not over $161,550	$2,093 plus 6.09% of excess over $43,000
Over $161,550 but not over $323,200	$9,313 plus 6.41% of excess over $161,550
Over $323,200	$19,674 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 $21,400	$600 plus 5.90% of excess over $13,900
Over $21,400 but not over $80,650	$1,042 plus 6.09% of excess over $21,400
Over $80,650 but not over $215,400	$4,650 plus 6.41% of excess over $80,650
Over $215,400	$13,288 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 $32,200	$901 plus 5.90% of excess over $20,900
Over $32,200 but not over $107,650	$1,568 plus 6.09% of excess over $32,200
Over $107,650 but not over $269,300	$6,162 plus 6.41% of excess over $107,650
Over $269,300	$16,524 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 2019, all taxable income becomes effectively subject to a flat 6.85 percent tax rate. Furthermore, the marginal tax rates between 5.9 percent and 6.41 percent are gradually phased-in to rates between 5.61 percent and 6.09 percent between tax years 2020 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 2019, 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 must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year, with the first annual election due by December 1, 2018. Employers participating in 2019 will first remit taxes on payrolls made on or after January 1, 2019, provided that at least one employee's wages and compensation exceed $40,000. Accordingly, ECEP Receipts to the Revenue Bond Tax Fund are expected to begin on or after January 1, 2019.

New York State ECEP Receipts are dependent on the extent to which employers elect to participate in the program. Without any historical data, the Division of Budget cannot currently project the extent to which employers will elect to participate in the ECEP.

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 ECEP Receipts**.**

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 2008-09 through 2018-19.

NYS Personal Income Tax Receipts and Withholding Component, NYS ECEP Receipts, and Revenue Bond Tax Fund Receipts State Fiscal Years 2008-09 through 2018-19*

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	New York State ECEP Receipts	Revenue Bond Tax Fund Receipts
2008-09	$36,840,019,400	$27,686,157,203	75.2%	N/A	$ 9,210,004,850
2009-10	34,751,381,665	29,443,180,489	84.7	N/A	8,687,845,416
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 (est.)	50,410,200,000	41,782,000,000	82.9	*	25,205,100,000†

* For purposes of this Official Statement, the estimated amount does not differentiate between New York State Personal Income Tax Receipts, including the Withholding Component and New York State ECEP Receipts. 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, resulting in substantially the same amount of expected Revenue Bond Tax Fund Receipts regardless of the amount of New York State ECEP Receipts.

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

For State Fiscal Year 2017-18, New York State Personal Income Tax Receipts totaled approximately $51.5 billion and accounted for approximately 65 percent of State tax receipts in all State Funds. The FY 2019 Mid-Year Update 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 2.1% to $50.4 billion in State Fiscal Year 2018-19. The decline in projected FY 2018-19 receipts is mainly attributable to the impact of the TCJA's $10,000 limit on state and local tax deductions effective in 2018, which led many taxpayers to accelerate tax year 2017 payments into FY 2017-18. Taxes remitted through the ECEP are expected to offset the reduction in New York State Personal Income Tax Receipts, resulting in substantially the same amount of estimated aggregate New York State ECEP Receipts plus New York State Personal Income Tax Receipts and, therefore, no change to Revenue Bond Tax Fund Receipts.

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

For a more detailed discussion of the general economic and financial condition of the State and its projection of personal income tax receipts, see "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK."

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for tax years 2009 through 2018.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2009 to 2018*

Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
		($ in millions)		
2009	$596,471	(9.9)%	$31,162	(1.5)%
2010	638,855	7.1	34,834	11.8
2011	657,298	2.9	36,296	4.2
2012	714,698	8.7	38,046	4.8
2013	714,046	(0.1)	37,331	(1.8)
2014	776,477	8.7	41,909	12.3
2015	807,775	4.0	43,503	3.8
2016	794,105	(1.7)	41,418	(4.8)
2017 (est.)	867,407	9.2	47,260	14.1
2018 (proj.)	890,501	2.7	48,033	1.6

* 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. With the onset of the national recession and the financial crisis, adjusted gross income and tax liability fell in tax year 2009. The tax year 2009 decline in liability is significantly smaller than that in adjusted gross income due to the enactment of a temporary tax rate increase for wealthier taxpayers that was in effect from tax years 2009 to 2011. Since tax year 2010, adjusted gross income and tax liability have 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.

The FY 2019 Mid-Year Update Financial Plan estimates that tax year 2017 personal income tax liability totalled $47.3 billion, increasing 14.1 percent over the prior year. Personal income tax liability is projected to increase by 1.6 percent to $48.0 billion in tax year 2018.

A graph showing trendline growth in the Withholding Component since State Fiscal Year 2009-10 has appeared here in official statements relating to previous New York State Personal Income Tax Revenue Bonds but has been omitted from this Official Statement and will be omitted from future official statements because the graph did not reflect New York State ECEP Receipts deposited to the Revenue Bond Tax Fund and, therefore, would not be capable of providing comparable information on a going-forward basis. See the table entitled, "NYS Personal Income Tax Receipts and Withholding Component, NYS ECEP Receipts, and State Revenue Bond Tax Fund Receipts" for information on historical Revenue Bond Tax Fund Receipts.

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

Debt Service Coverage

The following table sets forth (1) Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum Calculated Debt Service on the outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2019 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 that cannot be predicted at this time.

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

Revenue Bond Tax Fund Receipts	$26,494,100*
Maximum Calculated Debt Service	$3,780,254
Debt Service Coverage	7.0x

*Assumes 50 percent of Personal Income Tax Receipts have been deposited in the Revenue Bond Tax Fund during the applicable 12 consecutive calendar months for purposes of calculating the additional bonds debt service coverage test.

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Annual Information Statement of the State of New York dated June 2, 2018) including assumed average State Personal Income Tax Revenue Bond issuances of approximately $5.0 billion annually over the next four years, State Personal Income Tax Revenue Bond debt service coverage based only upon the Revenue Bond Tax Fund's receipt of the New York State Personal Income Tax Receipts and New York State ECEP Receipts is expected to decline from 6.4 times in State Fiscal Year 2018-19 to 5.8 times in State Fiscal Year 2021-22.

The following table entitled, "Projected Debt Service Coverage on State Personal Income Tax Revenue Bonds" does not reflect any estimate of charitable donations or the impact of such charitable donations on the amount of New York State Personal Income Tax Receipts deposited into the Revenue Bond Tax Fund. As a result, the coverage ratios shown in the table may be materially and adversely affected by such donations.

Projected Debt Service Coverage on State Personal Income Tax Revenue Bonds
State Fiscal Years 2018-19 through 2021-22
(Dollars in Thousands)

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Projected Revenue Bond Tax Fund Receipts[1]	$25,205,190	$26,976,276	$27,505,300	$28,727,500
Projected New State Personal Income Tax Revenue Bonds Issuances	4,754,456	4,468,582	4,453,930	4,327,483
Projected Total State Personal Income Tax Revenue Bonds Outstanding	36,646,656	38,892,620	40,849,045	42,534,580
Projected Maximum Annual Debt Service	3,925,467	4,315,121	4,710,958	4,953,439
Projected Debt Service Coverage[2]	6.4x	6.3x	5.8x	5.8x

1. Includes New York State Personal Income Tax Receipts and New York State ECEP Receipts.
2. The projections of future Revenue Bond Tax Fund Receipts are based on a number of factors and considerations. With respect to donations to the Charitable Gifts Trust Fund, meaningful historical baseline data is not available for incorporation into revenue projections. Accordingly, the information in this table may be subject to greater variability than other projections contained in this Official Statement.

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

Impact of State Charitable Gifts Trust Fund on Personal Income Tax Revenue Bonds

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.

The Division of the Budget and the Department of Taxation and Finance performed a calculation of the maximum amount of charitable donations to the State Charitable Gifts Trust Fund that could occur annually under varying assumptions. The calculation of this ceiling is intended as a stress test on State Personal Income Tax Receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed as a projection of likely donations. 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 other governmental actors 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 ceiling on the amount of potential donations is calculated to be in the range of $28 billion annually, on average (2018 through 2022).[*] The calculation of the ceiling 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 income tax deduction for State and Local Tax payments established by the TCJA, 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 (2016), 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 2019 Mid-Year Update Financial Plan are materially accurate.

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[*] The calculation of maximum potential donations is based on current law, including the scheduled reversion of the top Personal Income Tax rate from 8.82 percent to 6.85 percent starting in tax year 2020.

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.

Potential Effect of Contributions to the State Charitable Gifts Trust Fund on Revenue Bond Tax Fund Receipts State Fiscal Years 2019 Through 2022 (billions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
Revenue Bond Tax Fund Receipts, Prior Law	$12.6	$13.5	$13.8	$14.4
Revenue Bond Tax Fund Receipts, Current Law	25.2	27.0	27.5	28.7
Revenue Bond Tax Fund Receipts After Charitable Gifts				
100% Participation	21.2	14.6	14.8	16.4
75% Participation	22.2	17.7	18.0	19.4
50% Participation	23.2	20.8	21.2	22.5
25% Participation	24.2	23.9	24.3	25.6
10% Participation	24.8	25.7	26.2	27.5

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 State 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 the State 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 ceiling 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 State Charitable Gift 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 2019 Mid-Year Update Financial Plan, the State has received $93 million in charitable gifts that have been deposited to the State Charitable Gifts Trust Fund. Donations to the State 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 the FY 2019 Executive Budget Financial Plan, as amended. 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 2019 BONDS

General

The Series 2019 Bonds will bear interest, computed on the basis of a 360-day year and 30-day month, from their date of delivery, payable September 15, 2019 and on each March 15 and September 15 thereafter at the rates set forth on the inside cover pages of this Official Statement.

The Series 2019 Bonds will be issued only as fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

The Series 2019 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2019 Bonds. Principal or redemption price of and interest on each series of the Series 2019 Bonds are payable by The Bank of New York Mellon, New York, New York, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of each series of the Series 2019 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 7 — BOOK-ENTRY ONLY SYSTEM" below).

Optional Redemption

Series 2019A Bonds

The Series 2019A Bonds maturing on or before March 15, 2028 are not subject to redemption prior to maturity.

The Series 2019A Bonds maturing after March 15, 2028 are subject to redemption prior to maturity on or after September 15, 2028, in any order at the option of the Corporation, as a whole or in part at any time, at a redemption price of par, plus accrued interest to the redemption date.

Series 2019B Bonds

The Series 2019B Bonds are subject to redemption prior to their respective maturities at the option of the Corporation, in whole or in part, on any Business Day, (i) before September 15, 2028 at the Make-Whole Redemption Price described below, and (ii) on or after September 15, 2028, at a Redemption Price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the Series 2019B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2019B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2019B Bonds are to be redeemed, discounted to the date on which the Series 2019B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate (as defined below) plus (a) with respect to Series 2019B Bonds maturing on March 15, 2021 through March 15, 2025, 15 basis points, and (b) with respect to Series 2019B Bonds maturing on March 15, 2026 through March 15, 2033, 25 basis points, plus, in each case, accrued and unpaid interest on the Series 2019B Bonds to be redeemed on the redemption date.

The "Treasury Rate" is, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer

published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2019B Bonds to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually-traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

Mandatory Sinking Fund Redemption

The Series 2019B Bonds maturing on March 15, 2033 are Term Bonds subject to mandatory redemption in part, on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

Series 2019B Term Bond
Maturing March 15,

Year	Sinking Fund Installments
2029	$68,055,000
2030	70,700,000
2031	73,455,000
2032	76,320,000
2033†	66,500,000

† Stated maturity.

Selection of Series 2019 Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2019A Bonds or Series 2019B Bonds at the option of the Corporation, the Corporation will select the maturities (and interest rates, if applicable) of the Series 2019A Bonds or Series 2019B Bonds to be redeemed.

Series 2019A Bonds

If less than all of the Series 2019A Bonds of a maturity (and interest rates, if applicable) are to be redeemed, the Trustee shall assign to each Outstanding Series 2019A Bond of such maturity (and interest rates, if applicable) to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which such Series 2019A Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2019A Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which such Series 2019A Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2019A Bonds to be redeemed.

For so long as DTC is the registered owner of the Series 2019A Bonds, procedures with respect to the transmission of notices and the selection of Bonds to be redeemed and the corresponding redemption of Principal, Sinking Fund Installments, if any or Redemption Price, if any, of and interest on the Series 2019A Bonds so held shall be in accordance with arrangements among the Trustee, the Corporation and DTC.

Series 2019B Bonds

While the Series 2019B Bonds are held in DTC book-entry only form, in the case of optional redemption of the Series 2019B Bonds, if less than all of the Series 2019B Bonds are to be redeemed, the particular Series 2019B Bonds or portions thereof to be redeemed are to be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC operational procedures then in effect. Such procedures currently provide for adjustment of the principal by a factor provided by the Trustee. If the Trustee does not provide the necessary information or does not identify the redemption as on a "Pro Rata Pass-

Through Distribution of Principal" basis, the Series 2019B Bonds will be selected for redemption in accordance with DTC procedures by lot. The Corporation intends that redemption allocations to be made by DTC, the DTC Participants or such other intermediaries that may exist between the Corporation and the owners of the Series 2019B Bonds be made on a "Pro Rata Pass-Through Distribution of Principal" basis as described above. However, the Corporation cannot provide any assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among the owners on such basis. If operational procedures of DTC (or of any successor depository) do not allow for the redemption of the Series 2019B Bonds on a "Pro Rata Pass-Through Distribution of Principal" basis, the Series 2019B Bonds will be selected for redemption by lot.

If the Series 2019B Bonds are not registered in book-entry form and if fewer than all of a maturity of the Series 2019B Bonds are to be redeemed, the particular Series 2019B Bonds to be redeemed will be selected on a pro rata basis; provided, however, that any such redemption must be performed in a manner that results in all of the remaining outstanding Series 2019B Bonds being in authorized denominations.

Notice of Redemption

Any notice of optional redemption of the Series 2019 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2019 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs; provided, however, that with respect to any conditional notice given to Bondholders in connection with a redemption of all or a portion of the Series 2019B Bonds as described under "— Make-Whole Optional Redemption of Series 2019B Bonds" above, such redemption shall only be conditioned upon the issuance of refunding bonds pursuant to a contract of purchase that has been executed in connection therewith. Under the Resolutions, the Trustee is required to provide (i) notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event, and (ii) notice of the Make-Whole Redemption Price as promptly as practicable after its determination.

When the Trustee shall have received notice from the Corporation that Series 2019 Bonds are to be redeemed at the option of the Corporation, and regardless of any such notice in the case of mandatory sinking fund redemption, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Series 2019 Bonds, which notice shall specify the Series 2019 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable, and, in the case of Series 2019 Bonds of a Series to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and, if less than all of the Series 2019 Bonds of a Series of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2019 Bonds to be redeemed, and if applicable, that such notice is conditional and the conditions that must be satisfied.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2019 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2019 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no more than 45 days and no less than 30 days before the redemption date, to the Owners of any Series 2019 Bonds or portions of Series 2019 Bonds which are to be redeemed, at their last address, if any appearing upon the registry books.

For a more complete description of the redemption and other provisions relating to the Series 2019 Bonds, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION".

Global Clearance Procedures

Euroclear and Clearstream

Euroclear and Clearstream have advised the Corporation as follows: Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

The Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Corporation will not impose any fees in respect of holding the Series 2019 Bonds; however, holders of book-entry interests in the Series 2019 Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the DTC, Euroclear and Clearstream.

Initial Settlement

Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2019 Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2019 Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series 2019 Bonds against payment (value as on the date of delivery of the Series 2019 Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2019 Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2019 Bonds following confirmation of receipt of payment to the Corporation on the date of delivery of the Series 2019 Bonds.

Secondary Market Trading

Secondary market trades in the Series 2019 Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Series 2019 Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series 2019 Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2019 Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

Special Timing Considerations

Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series 2019 Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2019 Bonds, or to receive or make a payment or delivery of Series 2019 Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

General

Neither Euroclear or Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Corporation nor any of its agents will have any responsibility for the performance by Euroclear or Clearstream or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

The information in this subsection concerning DTC, Euroclear and Clearstream has been obtained from sources that the Corporation and the Initial Purchasers believe to be reliable, but none of the Corporation or the Initial Purchasers take any responsibility for the accuracy thereof or make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

PART 6 — THE PROJECTS

The Series 2019 Bonds are being issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2019 Bonds are expected to be used to finance or reimburse all or a portion of the costs of programs and projects throughout the State, including information technology projects, housing assistance projects and programs, economic development projects, MTA Transportation Facilities and State facilities projects. In addition, proceeds of the Series 2019 Bonds will be used to pay all or part of the cost of issuance of the Series 2019 Bonds.

The Series 2019 Bonds are not secured by any mortgage on, any revenues from, or any other interest in, capital works or purposes authorized to be financed by such application of the proceeds of Series 2019 Bonds.

PART 7 — BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2019 Bonds. References to the Series 2019 Bonds under this caption "Book-Entry Only System" shall mean all Series 2019 Bonds, the beneficial interests in which are owned in the United States. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate will be issued for the Series 2019 Bonds of each maturity of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its 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 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds of like series and maturity are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in the Series 2019 Bonds of such series and maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation 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 the Corporation, 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 the Corporation, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Corporation and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2019 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2019 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2019 Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The Corporation 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 2019 Bonds under or through DTC or any Direct or Indirect Participant, or any other person which is not shown on the registration books of the Corporation (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 2019 Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or

exchanges adopted by the Corporation; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Direct or Indirect Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct or Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2019 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2019 Bonds. In that event, Series 2019 Bond certificates will be printed and delivered to DTC.

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

Each person for whom a Participant acquires an interest in the Series 2019 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications of DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE CORPORATION 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 2019 BONDS.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2019 Bonds (other than under the caption "PART 12 — TAX MATTERS" and "PART 18 — CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2019 Bonds.

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

For every transfer and exchange of Series 2019 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

THE CORPORATION 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 2019 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2019 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2019 BONDHOLDER; (5) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2019 BONDS; OR (6) ANY OTHER MATTER.

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 2019 Bonds, for the payment of debt service on other outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

	Series 2019 Bonds				
12-Month Period Ending March 31	**Principal Payments**	**Interest Payments**	**Total Debt Service**	**Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service[(1)(2)(3)]**	**Aggregate Debt Service[(1)(2)]**
2019				$ 3,253,501,274	$ 3,253,501,274
2020		$ 73,936,197	$ 73,936,197	3,654,128,459	3,728,064,656
2021	$ 52,440,000	63,525,134	115,965,134	3,664,288,713	3,780,253,847
2022	54,450,000	61,496,929	115,946,929	3,477,700,706	3,593,647,635
2023	56,060,000	59,879,764	115,939,764	3,375,114,104	3,491,053,868
2024	57,745,000	58,197,964	115,942,964	3,191,784,584	3,307,727,548
2025	59,540,000	56,407,869	115,947,869	3,060,374,300	3,176,322,169
2026	61,465,000	54,472,819	115,937,819	3,042,982,725	3,158,920,544
2027	63,525,000	52,413,741	115,938,741	2,852,525,835	2,968,464,576
2028	65,715,000	50,228,481	115,943,481	2,727,734,591	2,843,678,072
2029	68,055,000	47,902,170	115,957,170	2,342,230,981	2,458,188,151
2030	70,700,000	45,248,025	115,948,025	2,117,980,966	2,233,928,991
2031	73,455,000	42,490,725	115,945,725	2,020,100,931	2,136,046,656
2032	76,320,000	39,625,980	115,945,980	1,895,488,005	2,011,433,985
2033	79,305,000	36,649,500	115,954,500	1,618,466,025	1,734,420,525
2034	32,755,000	33,415,750	66,170,750	1,434,470,643	1,500,641,393
2035	34,420,000	31,778,000	66,198,000	1,348,177,377	1,414,375,377
2036	36,120,000	30,057,000	66,177,000	1,193,359,140	1,259,536,140
2037	37,920,000	28,251,000	66,171,000	1,084,594,518	1,150,765,518
2038	39,810,000	26,355,000	66,165,000	960,401,401	1,026,566,401
2039	41,805,000	24,364,500	66,169,500	866,056,305	932,225,805
2040	43,895,000	22,274,250	66,169,250	733,438,458	799,607,708
2041	46,090,000	20,079,500	66,169,500	629,782,481	695,951,981
2042	48,400,000	17,775,000	66,175,000	539,704,619	605,879,619
2043	50,830,000	15,355,000	66,185,000	434,080,313	500,265,313
2044	53,355,000	12,813,500	66,168,500	331,657,650	397,826,150
2045	56,015,000	10,145,750	66,160,750	267,272,200	333,432,950
2046	58,820,000	7,345,000	66,165,000	197,641,200	263,806,200
2047	61,185,000	4,992,200	66,177,200	182,972,200	249,149,400
2048	63,620,000	2,544,800	66,164,800	75,166,000	141,330,800
Total[(3)]	$1,543,815,000	$1,030,021,545	$2,573,836,545	$52,573,176,702	$55,147,013,249

(1) Interest on $303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on $74,615,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.

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

(3) Totals may not add due to rounding.

PART 9 — ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2019 Bonds:

Sources of Funds	Series 2019A	Series 2019B	Total
Principal Amount of Series 2019 Bonds	$741,460,000.00	$802,355,000.00	$1,543,815,000.00
Net Original Issue Premium/Discount	90,922,917.35	(787,079.45)	90,135,837.90
Total Sources	$832,382,917.35	$801,567,920.55	$1,633,950,837.90
Uses of Funds			
Deposit to Series 2019 Bond Proceeds Accounts	$824,033,308.19	$792,870,088.59	$1,616,903,396.78
Costs of Issuance*	6,545,846.13	7,039,425.69	13,585,271.82
Initial Purchasers' Discount	1,803,763.03	1,658,406.27	3,462,169.30
Total Uses	$832,382,917.35	$801,567,920.55	$1,633,950,837.90

* Includes New York State Bond Issuance Charge.

PART 10 — THE CORPORATION

General

The Corporation is a corporate governmental agency of the State constituting a political subdivision and a public benefit corporation. The Corporation's principal office is located at 633 Third Avenue, New York, New York 10017.

The UDC Act provides that the Corporation's existence shall continue until terminated by law, but that no such law may take effect so long as the Corporation has bonds, notes or other obligations outstanding unless adequate provision is made for the payment thereof in the documents securing the same.

The Corporation was originally created to facilitate the development of affordable housing for low, moderate and middle income persons and families among other purposes. Corporation residential projects were located throughout the State, concentrated in central city areas. All Corporation residential projects were subject to and governed by the State's Private Housing Finance Law.

During 1974, the Corporation experienced difficulty in meeting its commitments for financing the completion of certain primarily residential projects for which the Corporation would receive, upon completion, substantial federal mortgage subsidy payments. In February 1975 the State, in response, created the New York State Project Finance Agency ("PFA") to assist in the completion of such projects. PFA received funds from State appropriations, issued bonds and notes and made the proceeds thereof, together with revenues in excess of debt service requirements, available to the Corporation. Supervisory jurisdiction over the Corporation's residential projects being financed with PFA's assistance was transferred to the Division of Housing and Community Renewal of the State of New York. In 1979, the New York State Mortgage Loan Enforcement and Administration Corporation ("MLC") was organized as a Corporation subsidiary to service, administer and enforce the rights of the Corporation and PFA related to residential interest subsidies and certain other real estate investments. MLC is substantially inactive. All PFA bonds have been paid and on February 27, 2005, PFA's corporate existence was terminated by operation of law. The Corporation's mortgage housing portfolio securing its residential projects and the associated federal mortgage subsidy payments were transferred to the New York State Housing Finance Agency on June 5, 2013. The Corporation does not presently contemplate making mortgages to any new residential projects.

Economic Development Programs

The Corporation has redirected its efforts to promote economic development on the local and Statewide levels. The Corporation's goal is to create and retain jobs, particularly in economically distressed areas throughout the State from the largest urban centers to the smallest rural communities.

The Corporation, on behalf of the State, undertakes projects which would not be financially or organizationally feasible for the private sector alone. The State Legislature has provided the Corporation with various statutory powers, including the powers to condemn real property, invest in property at below-market interest rates, issue tax-exempt bonds, offer tax benefits to developers, and waive compliance, where appropriate, with local codes and laws.

In addition to the use of these extraordinary powers, the Corporation provides financial assistance through grants, low cost project financing, including loans and interest subsidy grants; and technical assistance in management, finance and project design.

In the past 30 years, the Corporation has undertaken, developed and constructed many significant projects, including the Jacob K. Javits Convention Center, South Street Seaport and other numerous large scale development projects. Today, the Corporation's large ongoing projects include the Barclays Center, Queens West and Moynihan Station redevelopment projects in New York City.

The Corporation has also formed the Lower Manhattan Development Corporation, a subsidiary responsible for the distribution of available relief and other funds and the rebuilding of lower Manhattan.

The Corporation also administers an array of less prominent, but significant economic development programs throughout the State, such as the New NY Broadband Initiative, which is a $500 million program to support the development of infrastructure to bring high-speed internet access to unserved and underserved regions throughout the State. The New NY Broadband Initiative provides funds to support private infrastructure projects necessary to meet the State's goals for access to high-speed internet.

Since January 1, 1997, over 10,450 projects have been approved, totaling more than $12.6 billion in grants and $445.7 million in loans. More than 514,000 jobs have been retained and 233,000 jobs have been created by these projects.

Through its Finance Division, the Corporation has issued approximately $20.3 billion in State-supported bonds to help finance economic development and special State purpose projects. These include correctional facilities, youth centers, State facilities, sports facilities, university-based technology centers and community enhancement facilities.

Consolidation

In order to increase efficiency, reduce administrative overhead and enhance the delivery of New York State's economic development initiatives, various economic development functions and staff have been consolidated. The staff and functions of the Corporation, MLC and the Job Development Authority ("JDA") have been combined. While each of these entities retains a separate corporate existence, they operate in a consolidated manner. ESD and the Department of Economic Development are responsible for providing and coordinating all of the State's economic development initiatives.

The legal corporate entities of the Corporation and JDA will remain intact for the purpose of issuing bonds and/or notes pursuant to legislative powers. The consolidation will have no legal impact on any of the outstanding Corporation or JDA bonds.

Directors; Corporate Management

The membership of the Corporation as constituted under the UDC Act consists of nine directors, as follows: two ex-officio directors and seven directors appointed by the Governor with the advice and consent of

the Senate. From the seven directors appointed by him, the Governor designates a Chairman and two other directors who serve at the pleasure of the Governor. The four remaining directors appointed by the Governor serve for four-year terms which expire in successive years. Directors continue to serve in office until their successors have been appointed and qualified.

The Corporation's present directors and senior officers include the following:

Directors

Howard Zemsky, Acting Chairman, President and Chief Executive Officer, the Corporation

Derrick D. Cephas, Esq., Partner, Weil, Gotshal & Manges LLP

Robert R. Dyson, Chairman and Chief Executive Officer, The Dyson-Kissner Moran Corporation

Hilda Rosario Escher, President and Chief Executive Officer, Ibero-American Action League

Eric J. Gertler, Chairman, U.S. News & World Report and CEO, Ulysses Ventures

Cesar A. Perales, former New York State Secretary of State

Maria T. Vullo, Superintendent, New York State Department of Financial Services

Senior Officers

Howard Zemsky, President and Chief Executive Officer

Elaine A. Kloss, Chief Financial Officer

Elizabeth Fine, Executive Vice President, Legal and General Counsel

Debbie Royce, Corporate Secretary

Kathleen Mize, Deputy Chief Financial Officer and Controller

Douglas Bressette, Treasurer

The Corporation's staff includes experienced business executives, financial analysts, accountants, lawyers, urban planners, project managers and specialists in industrial and commercial development. The Corporation consults with local governments, local private organizations and community groups. The Corporation also utilizes the professional services of architects, engineers, planners, lawyers, accountants and specialists in real estate finance, development and marketing, construction technology, urban research and other relevant technical fields. In addition to the Corporation's principal office in New York City, the Corporation has established regional offices in principal development centers throughout the State.

Financial Advisor

Public Resources Advisory Group is acting as financial advisor to the Division of the Budget in connection with the sale and issuance of the Series 2019 Bonds.

PART 11 — AGREEMENT OF THE STATE

The UDC Act provides that the State pledges and agrees with the holders of the Corporation's notes and bonds that the State will not limit or alter the rights vested in the Corporation to, among other things, fulfill the terms of any agreements made with the holders of the Corporation's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the

General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 12 — TAX MATTERS

Series 2019A Bonds

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2019A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2019A Bonds. Pursuant to the Resolution and a Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the Corporation and certain departments, agencies and authorities of the State of New York (the "Departments") have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2019A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation and the Departments have made certain representations and certifications in the Resolution, the financing agreements and the Tax Certificate. Nixon Peabody LLP, Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and the Departments described above, interest on the Series 2019A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Nixon Peabody LLP, Co-Bond Counsel, is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

State Taxes

Nixon Peabody LLP, Co-Bond Counsel, is also of the opinion that, under existing statutes, interest on the Series 2019A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Nixon Peabody LLP, Co-Bond Counsel, expresses no opinion as to other State or local tax consequences arising with respect to the Series 2019A Bonds nor as to the taxability of the Series 2019A Bonds or the income therefrom under the laws of any state other than the State of New York.

Original Issue Discount

Nixon Peabody LLP, Co-Bond Counsel, is further of the opinion that the excess of the principal amount of a maturity of the Series 2019A Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Series 2019A Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2019A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Series 2019A Bonds sold at prices in excess of their principal amounts are "Premium Bonds". An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2019A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Series 2019A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2019A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2019A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2019A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2019A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Nixon Peabody LLP, Co-Bond Counsel, is not rendering any opinion as to any Federal tax matters other than those described in its opinion attached as part of APPENDIX E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2019A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2019A Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2019A Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2019A Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2019A Bonds may occur. Prospective purchasers of the Series 2019A Bonds should consult their own tax advisors regarding the impact of any changes in law on the Series 2019A Bonds.

Nixon Peabody LLP, Co-Bond Counsel, has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2019A Bonds may affect the tax status of interest on the

Series 2019A Bonds. Nixon Peabody LLP, Co-Bond Counsel, expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2019A Bonds, or the interest thereon, if any action is taken with respect to the Series 2019A Bonds or the proceeds thereof upon the advice or approval of other counsel.

Series 2019B Bonds

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2019B Bonds. The summary is based upon the provisions of the Code, the Treasury Regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. Such authorities may be repealed, revoked, or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those described below. The summary generally addresses Series 2019B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2019B Bonds as a hedge against currency risks or as a position in a "straddle," "hedge," "constructive sale transaction" or "conversion transaction" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers that acquire Series 2019B Bonds at their initial issue price except where otherwise specifically noted. Potential purchasers of the Series 2019B Bonds should consult their own tax advisors in determining the federal, state, local, foreign and other tax consequences to them of the purchase, holding and disposition of the Series 2019B Bonds.

The Corporation has not sought and will not seek any rulings from the Internal Revenue Service with respect to any matter discussed herein. No assurance can be given that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax characterizations and tax consequences set forth below.

U.S. Holders

As used herein, the term "**U.S. Holder**" means a beneficial owner of Series 2019B Bonds that is (a) an individual citizen or resident of the United States for federal income tax purposes, (b) a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or any State thereof (including the District of Columbia), (c) an estate whose income is subject to federal income taxation regardless of its source, or (d) a trust if a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding clause (d) of the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to that date that elect to continue to be treated as United States persons, also will be U.S. Holders. In addition, if a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) holds Series 2019B Bonds, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership (or other entity or arrangement treated as a partnership for federal income tax purposes) that holds Series 2019B Bonds, the U.S. Holder is urged to consult its own tax advisor regarding the specific tax consequences of the purchase, ownership and dispositions of the Series 2019B Bonds.

Taxation of Interest Generally

Interest on the Series 2019B Bonds is <u>not</u> excluded from gross income for federal income tax purposes under Section 103 of the Code and so will be fully subject to federal income taxation. Purchasers will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2019B Bonds. In general, interest paid on the Series 2019B Bonds and recovery of any accrued original issue discount and market discount will be treated as ordinary income to a bondholder, and after adjustment for the foregoing, principal payments will be treated as a return of capital to

the extent of the U.S. Holder's adjusted tax basis in the Series 2019B Bonds and capital gain to the extent of any excess received over such basis.

Recognition of Income Generally

Section 451 of the Code was amended by the Tax Cuts and Jobs Act, Pub. L. No. 115-97, enacted December 22, 2017, to provide that purchasers using an accrual method of accounting for U.S. federal income tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such purchaser. The application of this rule thus may require the accrual of income earlier than would have been the case prior to the amendment of Section 451. In this regard, on September 27, 2018, the IRS issued Notice 2018-80, which states that the Treasury Department and the IRS intend to issue proposed regulations providing that accrued market discount is not includible in income under Section 451(b) of the Code, and that such guidance will be applicable as of January 1, 2018. Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series 2019B Bonds under the Code.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2019B Bonds issued with original issue discount ("Discount Bonds"). A Series 2019B Bond will be treated as having been issued with an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2019B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2019B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (or, in the case of an installment obligation, its weighted average maturity).

A Series 2019B Bond's "stated redemption price at maturity" is the total of all payments provided by the Series 2019B Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate or certain floating rates.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Bond for each day during the taxable year in which such holder held such Bond. The daily portion of original issue discount on any Discount Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include in gross income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any

amortizable bond premium or acquisition premium) on a Series 2019B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. However, holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally" above. Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series 2019B Bonds under the Code.

Market Discount

A holder who purchases a Series 2019B Bond at a price which includes market discount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) in excess of a prescribed de minimis amount will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such holder will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2019B Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such holder on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

A holder of a Series 2019B Bond who acquires such Series 2019B Bond at a market discount also may be required to defer, until the maturity date of such Series 2019B Bond or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the holder paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2019B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such holder's gross income for the taxable year with respect to such Series 2019B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2019B Bond for the days during the taxable year on which the holder held the Series 2019B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2019B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondholder elects to include such market discount in income currently as described above.

Holders that use an accrual method of accounting may be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements of such holder as discussed under "Recognition of Income Generally" above. Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding the potential applicability of this rule and its impact on the timing of the recognition of income related to the Series 2019B Bonds under the Code.

Bond Premium

A holder of a Series 2019B Bond who purchases such Series 2019B Bond at a cost greater than its remaining redemption amount will have amortizable bond premium. If the holder elects to amortize this premium under Section 171 of the Code (which election will apply to all Series 2019B Bonds held by the holder on the first day of the taxable year to which the election applies and to all Series 2019B Bonds thereafter acquired by the holder), such a holder must amortize the premium using constant yield principles

based on the holder's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of Series 2019B Bonds who acquire such Series 2019B Bonds at a premium should consult with their own tax advisors with respect to federal, state and local tax consequences of owning such Series 2019B Bonds.

Surtax on Unearned Income

Section 1411 of the Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this provision in their particular circumstances.

Sale or Redemption of Bonds

A bondholder's adjusted tax basis for a Series 2019B Bond is the price such holder pays for the Series 2019B Bond plus the amount of original issue discount and market discount previously included in income and reduced on account of any payments received on such Series 2019B Bond other than "qualified stated interest" and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2019B Bond, measured by the difference between the amount realized and the bondholder's tax basis as so adjusted, will generally give rise to capital gain or loss if the Series 2019B Bond is held as a capital asset (except in the case of Series 2019B Bonds acquired at a market discount, in which case a portion of the gain will be characterized as interest and therefore ordinary income).

If the terms of a Series 2019B Bond are materially modified, in certain circumstances, a new debt obligation would be deemed "reissued", or created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those related to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. In addition, the defeasance of a Series 2019B Bond under the defeasance provisions of the Resolution could result in a deemed sale or exchange of such Series 2019B Bond.

EACH POTENTIAL HOLDER OF SERIES 2019B BONDS SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING (1) THE TREATMENT OF GAIN OR LOSS ON SALE, REDEMPTION OR DEFEASANCE OF THE SERIES 2019B BONDS, AND (2) THE CIRCUMSTANCES IN WHICH SERIES 2019B BONDS WOULD BE DEEMED REISSUED AND THE LIKELY EFFECTS, IF ANY, OF SUCH REISSUANCE.

Non-U.S. Holders

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of Series 2019B Bonds by a person other than a U.S. Holder, a former United States citizen or resident, or a partnership or entity treated as a partnership for United States federal income tax purposes (a "Non-U.S. Holder").

Subject to the discussion of backup withholding and the Foreign Account Tax Compliance Act ("FATCA"), payments of principal by the Corporation or any of its agents (acting in its capacity as agent) to any Non-U.S. Holder will not be subject to federal withholding tax. In the case of payments of interest to any Non-U.S. Holder, however, federal withholding tax will apply unless the Non-U.S. Holder (1) does not own (actually or constructively) 10 percent or more of the voting equity interests of the Corporation, (2) is not a controlled foreign corporation for United States tax purposes that is related to the Corporation (directly or indirectly) through stock ownership, and (3) is not a bank receiving interest in the manner described in Section 881(c)(3)(A) of the Code. In addition, either (1) the Non-U.S. Holder must certify on the applicable IRS Form W-8 (series) (or successor form) to the Corporation, its agents or paying agents or a broker under penalties of perjury that it is not a U.S. person and must provide its name and address, or (2) a securities clearing

organization, bank or other financial institution, that holds customers' securities in the ordinary course of its trade or business and that also holds the Series 2019B Bonds must certify to the Corporation or its agent under penalties of perjury that such statement on the applicable IRS Form W-8 (series) (or successor form) has been received from the Non-U.S. Holder by it or by another financial institution and must furnish the interest payor with a copy.

Interest payments may also be exempt from federal withholding tax depending on the terms of an existing Federal Income Tax Treaty, if any, in force between the U.S. and the resident country of the Non-U.S. Holder. The U.S. has entered into an income tax treaty with a limited number of countries. In addition, the terms of each treaty differ in their treatment of interest and original issue discount payments. Non-U.S. Holders are urged to consult their own tax advisor regarding the specific tax consequences of the receipt of interest payments, including original issue discount. A Non-U.S. Holder that does not qualify for exemption from withholding as described above must provide the Corporation or its agent with documentation as to his, her, or its identity to avoid the U.S. backup withholding tax on the amount allocable to a Non-U.S. Holder. The documentation may require that the Non-U.S. Holder provide a U.S. tax identification number.

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on a Series 2019B Bond held by such holder is effectively connected with the conduct of such trade or business, the Non-U.S. Holder, although exempt from the withholding tax discussed above (provided that such holder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a U.S. Holder. In addition, if the Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (subject to a reduced rate under an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Series 2019B Bond will be included in the earnings and profits of the holder if the interest is effectively connected with the conduct by the holder of a trade or business in the United States. Such a holder must provide the payor with a properly executed IRS Form W-8ECI (or successor form) to claim an exemption from United States federal withholding tax.

Generally, any capital gain realized on the sale, exchange, retirement or other disposition of a Series 2019B Bond by a Non-U.S. Holder will not be subject to United States federal income or withholding taxes if (1) the gain is not effectively connected with a United States trade or business of the Non-U.S. Holder, and (2) in the case of an individual, the Non-U.S. Holder is not present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition, and certain other conditions are met.

For newly issued or reissued obligations, such as the Series 2019B Bonds, FATCA imposes U.S. withholding tax on interest payments and, for dispositions after December 31, 2018, gross proceeds of the sale of the Series 2019B Bonds paid to certain foreign financial institutions (which is broadly defined for this purpose to generally include non-U.S. investment funds) and certain other non-U.S. entities if certain disclosure and due diligence requirements related to U.S. accounts or ownership are not satisfied, unless an exemption applies. An intergovernmental agreement between the United States and an applicable non-U.S. country may modify these requirements. In any event, bondholders or beneficial owners of the Series 2019B Bonds shall have no recourse against the Corporation, nor will the Corporation be obligated to pay any additional amounts to "gross up" payments to such persons, as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges with respect to payments in respect of the Series 2019B Bonds. However, it should be noted that on December 13, 2018, the IRS issued Proposed Treasury Regulation Section 1.1473-1(a)(1) which proposes to remove gross proceeds from the definition of "withholdable payment" for this purpose.

Non-U.S. Holders should consult their own tax advisors with respect to the possible applicability of federal withholding and other taxes upon income realized in respect of the Series 2019B Bonds.

Information Reporting and Backup Withholding

For each calendar year in which the Series 2019B Bonds are outstanding, the Corporation, its agents or paying agents or a broker is required to provide the IRS with certain information, including a holder's name,

address and taxpayer identification number (either the holder's Social Security number or its employer identification number, as the case may be), the aggregate amount of principal and interest paid to that holder during the calendar year and the amount of tax withheld, if any. This obligation, however, does not apply with respect to certain U.S. Holders, including corporations, tax-exempt organizations, qualified pension and profit-sharing trusts, and individual retirement accounts and annuities.

If a U.S. Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or under-reports its tax liability, the Corporation, its agents or paying agents or a broker may be required to make "backup" withholding of tax on each payment of interest or principal on the Series 2019B Bonds. This backup withholding is not an additional tax and may be credited against the U.S. Holder's federal income tax liability, provided that the U.S. Holder furnishes the required information to the IRS.

Under current Treasury Regulations, backup withholding and information reporting will not apply to payments of interest made by the Corporation, its agents (in their capacity as such) or paying agents or a broker to a Non-U.S. Holder if such holder has provided the required certification that it is not a U.S. person (as set forth in the second paragraph under "Non-U.S. Holders" above), or has otherwise established an exemption (provided that neither the Corporation nor its agent has actual knowledge that the holder is a U.S. person or that the conditions of an exemption are not in fact satisfied).

Payments of the proceeds from the sale of a Series 2019B Bond to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) may apply to those payments if the broker is one of the following: (i) a U.S. person; (ii) a controlled foreign corporation for U.S. tax purposes; (iii) a foreign person 50-percent or more of whose gross income from all sources for the three-year period ending with the close of its taxable year preceding the payment was effectively connected with a United States trade or business; or (iv) a foreign partnership with certain connections to the United States.

Payment of the proceeds from a sale of a Series 2019B Bond to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder or beneficial owner certifies as to its taxpayer identification number or otherwise establishes an exemption from information reporting and backup withholding.

The preceding federal income tax discussion is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of the Series 2019B Bonds, including the tax consequences under federal, state, local, foreign and other tax laws and the possible effects of changes in those tax laws.

State Taxes

Nixon Peabody LLP, Co-Bond Counsel, is also of the opinion that, under existing statutes, interest on the Series 2019B Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Nixon Peabody LLP, Co-Bond Counsel, expresses no opinion as to other State or local tax consequences arising with respect to the Series 2019B Bonds nor as to the taxability of the Series 2019B Bonds or the income therefrom under the laws of any state other than the State of New York.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an impact on the inclusion in gross income of interest on the Series 2019B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2019B Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or otherwise. It is not possible to predict whether any such legislative or

administrative actions or court decisions will occur or have an adverse impact on the federal or state income tax treatment of holders of the Series 2019B Bonds. Prospective purchasers of the Series 2019B Bonds should consult their own tax advisors regarding the impact of any change in law or proposed change in law on the Series 2019B Bonds.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE SERIES 2019B BONDS.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental Plans and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("Similar Laws") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Series 2019 Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Series 2019 Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Corporation or the Departments were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Corporation or the Departments would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 of the Code only if the Benefit Plan acquires an "equity interest" in the Corporation or the Departments and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there can be no assurances in this regard, it appears that the Series 2019 Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Series 2019 Bonds, including the reasonable expectation of purchasers of Series 2019 Bonds that the Series 2019 Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features. The debt treatment of the Series 2019 Bonds for

ERISA purposes could change subsequent to issuance of the Series 2019 Bonds. In the event of a withdrawal or downgrade to below investment grade of the rating of the Series 2019 Bonds or a characterization of the Series 2019 Bonds as other than indebtedness under applicable local law, the subsequent purchase of the Series 2019 Bonds or any interest therein by a Benefit Plan is prohibited. However without regard to whether the Series 2019 Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2019 Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Corporation, the Departments or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Series 2019 Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2019 Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving "adequate consideration" with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate's) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Series 2019 Bonds, or that, if available, the exemption would cover all possible prohibited transactions

By acquiring a Series 2019 Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, its fiduciary) is deemed to (a) represent and warrant that either (i) it is not acquiring the Series 2019 Bond (or interest therein) with the assets of a Benefit Plan, Governmental Plan or Church Plan; or (ii) the acquisition and holding of the Series 2019 Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws and (b) acknowledge and agree that a Benefit Plan may not purchase the Series 2019 Bonds at any time that the ratings on the Series 2019 Bonds are withdrawn or downgraded to below investment grade or the Series 2019 Bonds have been characterized as other than indebtedness for applicable local law purposes. A purchaser or transferee who acquires Series 2019 Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

In addition, each purchaser and each transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) of a Series 2019 Bond that is a Benefit Plan is deemed to represent and warrant that: (a) the decision to acquire the Series 2019 Bonds was made by the plan fiduciary; (b) the plan fiduciary is independent of the Corporation, the Departments, Trustee, and Initial Purchasers; (c) the plan fiduciary meets the requirements of 29 C.F.R. § 2510.3 21(c)(1) and specifically is either a bank as defined in Section 202 of the Investment Advisers Act of 1940 or similar institution that is regulated and supervised and subject to periodic examination by a U.S. state or U.S. federal agency; an insurance carrier which is qualified under the laws of more than one U.S. state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan; an investment adviser registered under the Investment Advisers Act of 1940 or, if not registered as an investment adviser under the Investment Advisers Act by reason of paragraph(1) of Section 203A of the Investment Advisers Act, is registered as an investment adviser under the laws of the U.S. state in which it maintains its principal office and place of business; a broker dealer registered under the Securities Exchange Act of 1934, as amended; or holds, or has under its management or control, total assets of at least $50 million (provided that this clause shall not be satisfied if the plan fiduciary is an individual directing his or her own individual plan account or is a relative of such individual); (d) the plan fiduciary is capable of evaluating investment risks independently, both in general and with regard to particular transactions, and investment strategies, including

the purchase or transfer of the Series 2019 Bonds; (e) the plan fiduciary is a "fiduciary" with respect to the plan within the meaning of Section (21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the acquisition, transfer or holding of the Series 2019 Bonds; (f) none of the Corporation, the Departments, Trustee, or Initial Purchasers has exercised any authority to cause the Benefit Plan to invest in the Series 2019 Bonds or to negotiate the terms of the Benefit Plan's investment in the Series 2019 Bonds; and (g) the plan fiduciary has been informed: (1) that none of the Corporation, the Departments, Trustee, or Initial Purchasers are undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the plan's acquisition or transfer of the Series 2019 Bonds and (2) of the existence and nature of the Corporation's, the Departments', Trustee's, or Initial Purchasers' financial interests in the Benefit Plan's acquisition or transfer of the Series 2019 Bonds.

None of the Corporation, the Departments, Trustee, or Initial Purchasers is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the Series 2019 Bonds by any Benefit Plan.

Because the Corporation, the Departments, Trustee, Initial Purchasers or any of their respective affiliates may receive certain benefits in connection with the sale of the Series 2019 Bonds, the purchase of the Series 2019 Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Series 2019 Bonds using plan assets of a Benefit Plan should consult with its counsel if the Corporation, the Departments, the Trustee or the Initial Purchasers or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Series 2019 Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

PART 13 — LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2019 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2019 Bonds are to be issued, (ii) the pledge effected under the General Resolution, or (iii) the validity of any provision of the Enabling Act, the Series 2019 Bonds, the General Resolution or the Financing Agreement. See "APPENDIX A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

PART 14 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2019 Bonds are subject to the approval of Nixon Peabody LLP, New York, New York, and Pearlman & Miranda LLC, New York, New York, Co-Bond Counsel to the Corporation, and to certain other conditions. The approving opinions of Co-Bond Counsel will be delivered with the Series 2019 Bonds. The proposed forms of such opinions are included in this Official Statement as APPENDIX E.

PART 15 — SALE BY COMPETITIVE BIDDING

The Series 2019A Bonds were awarded in two separate competitive bidding groups (each a "Bidding Group") on January 8, 2019. The Series 2019A Bonds Bidding Group 1, comprised of Series 2019A Bonds maturing in the years 2021 and 2033 through 2042, inclusive, were sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated. The Series 2019A Bonds Bidding Group 2, comprised of Series 2019A Bonds maturing in the years 2043 through 2048, inclusive, were sold to Citigroup Global Markets Inc. The Series 2019A Bonds will be purchased by the respective purchasers at an aggregate price of $830,579,154.32, which reflects an aggregate original issue premium of $90,922,917.35 and a purchasers' discount of $1,803,763.03.

The Series 2019B Bonds also were awarded in three separate competitive Bidding Groups on January 8, 2019. The Series 2019B Bonds Bidding Group 1, comprised of Series 2019B Bonds maturing in the years 2021 through 2025, inclusive, were sold to J.P. Morgan Securities LLC. The Series 2019B Bonds Bidding Group 2, comprised of Series 2019B Bonds maturing in the years 2026 through 2028, inclusive, were sold to Citigroup Global Markets Inc. The Series 2019B Bonds Bidding Group 3, comprised of Series 2019B Bonds maturing in 2033, were sold to Morgan Stanley & Co. LLC. The Series 2019B Bonds will be purchased by the respective purchasers at an aggregate price of $799,909,514.28, which reflects an aggregate original issue discount of $787,079.45 and a purchasers' discount of $1,658,406.27.

The respective initial purchasers (the "Initial Purchasers") have supplied the information as to the initial public offering prices of the Series 2019 Bonds as set forth on the inside cover pages of this Official Statement. The Series 2019 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover pages, and such public offering prices may be changed from time to time by the Initial Purchasers.

PART 16 — LEGALITY OF INVESTMENT

The UDC Act provides that the Series 2019 Bonds constitute securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees, and other fiduciaries, and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, to the extent that the legality of their investments is governed by the laws of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

PART 17 — RATINGS

The Series 2019 Bonds are rated "Aa1" by Moody's Investors Service and "AA+" by Fitch 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 2019 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 18 — CONTINUING DISCLOSURE

In order to assist the Initial Purchasers of the Series 2019 Bonds to comply with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended, each of the Authorized Issuers, the State, and each of the trustees under the general resolutions have entered into a written agreement , dated as of May 1, 2002, and amended and

restated as of July 1, 2009 and December 1, 2010 (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2019 Bonds. The parties to the Master Disclosure Agreement have agreed to provide continuing disclosure of certain financial and operating data concerning the State and the sources of the Revenue Bond Tax Fund Receipts (collectively, the "Annual Information") in accordance with the requirements of Rule 15c2-12 and as described in the Master Disclosure Agreement. The Division of the Budget will electronically file with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") System on or before 120 days after the end of each State fiscal year, commencing, for the Series 2019 Bonds, with the fiscal year ending March 31, 2019. An executed copy of the Master Disclosure Agreement is attached hereto as APPENDIX D.

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

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2019 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The parties to the Master Disclosure Agreement, however, are not obligated to enforce the obligations of the others. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide the continuing disclosure described above is an action to compel specific performance of the obligations of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2019 Bonds, may recover monetary damages thereunder under any circumstances. Any holder or beneficial owner of State Personal Income Tax Revenue Bonds, including the holders of Series 2019 Bonds, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders and beneficial owners similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

The Master Disclosure Agreement contains a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories

of financial information and operating data; and if an undertaking calls for information that no longer can be generated because the operations to which it is related have been materially changed or discontinued, a statement to that effect will 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 the Corporation by such sources as described in this Official Statement. While the Corporation believes that these sources are reliable, the Corporation has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources.

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

The Director of the Budget is to certify that the statements and information appearing (a) under the headings (i) "PART 1 — SUMMARY STATEMENT" (except under the subcaption "Purpose of Issue" and except for the fifth, ninth (last sentence only) and tenth paragraphs under the subcaption "Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts", as to which no representation is made), (ii) "PART 2 — INTRODUCTION" (the second, third, fourth, sixth, seventh, eighth, tenth and twelfth (other than the last sentence thereof) paragraphs only), (iii) "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS ", (iv) "PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS AND NEW YORK STATE ECEP RECEIPTS FOR THE REVENUE BOND TAX FUND," (v) "PART 8 — DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service", and (vi) "PART 18 — CONTINUING DISCLOSURE" (the first sentence of the fourth paragraph only), and (b) in the "Annual Information Statement of the State of New York", including any updates or supplements, included in APPENDIX A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in APPENDIX A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in APPENDIX A hereto under the caption "Litigation", such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2019 Bonds.

The references herein to the Project Acts, the UDC Act, the Enabling Act, other laws of the State, the General Resolution and the Financing Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Corporation with the registered Owners of the Series 2019 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2019 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2019 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Corporation located at 633 Third

Avenue, New York, New York 10017. The Corporation's telephone number at such address is (212) 803-3100.

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

NEW YORK STATE
URBAN DEVELOPMENT CORPORATION
d/b/a EMPIRE STATE DEVELOPMENT

By: /s/ Elaine A. Kloss
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 July 2, 2018. It was updated on December 4, 2018. 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, 2018 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 27, 2018 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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Update to
Annual Information Statement
State of New York

December 4, 2018

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Annual Information Statement Update

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Introduction

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Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated December 4, 2018 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and is the second quarterly update to the AIS dated July 2, 2018 (the "AIS"). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the Financial Plan for FY 2019 (the "Updated Financial Plan"), issued by the Division of the Budget (DOB) in November 2018. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of second quarter operating results for FY 2019 (quarter ended September 30, 2018) and updates to the State's official financial projections for FY 2019 through FY 2022[1]. Except for the specific revisions described in these extracts, the projections (and the assumptions upon which these are based) in the Updated Financial Plan are consistent with the projections set forth in the FY 2019 Enacted Budget Financial Plan (the "Enacted Budget Financial Plan") reflected in the AIS. DOB next expects to update the State's multi-year financial projections with the FY 2020 Executive Budget Financial Plan.
2. A discussion of issues and risks that may affect the State's financial projections during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated information on certain public authorities of the State.
5. Updated information regarding the State Retirement System.
6. The status of significant litigation that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2018 and projected receipts and disbursements for fiscal years 2019 through 2022 on a General Fund, State Operating Funds and All Governmental Funds basis.

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

[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2019 ("FY 2019") is the fiscal year that began on April 1, 2018 and will end on March 31, 2019.

Introduction

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

The factors affecting the State's financial condition are numerous and complex. This AIS Update 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 inclusion in this AIS Update of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations 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 in this AIS Update. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from 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; cybersecurity events; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances. Many of 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 Update.

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

OSC issued the State's Basic Financial Statements for FY 2018 and the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting in accordance with the annual statutory deadline of July 29. Copies of this report may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2018 can also be accessed through EMMA at www.emma.msrb.org.

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Budgetary/
Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

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

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

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity 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 a significant amount of financial activity occurs in funds outside of the General Fund, the State Operating Funds is, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees 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, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA Funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both fund types, giving a more complete accounting of State-funded Medicaid disbursements. For such reasons, the discussion of disbursement projections often emphasizes the State Operating

Funds perspective. The State's adherence to a 2 percent annual spending growth benchmark is calculated on the State Operating Funds basis.

As described later in this AIS Update, the Updated Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending accounted for in the State Operating Funds basis of reporting. These include but are not limited to: (i) realignment of certain operating costs to the capital budget to provide greater consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; (iii) the restructuring of the School Tax Relief (STAR) program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; (iv) appropriation of certain operating costs for the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which will increase reported disbursements from State Operating Funds; and (v) an amendment to the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that receipts payable to the Metropolitan Transportation Authority (MTA) be appropriated by the State Legislature, a change which is intended to improve credit quality of MTA bonds that may be secured by the PMT, and has the effect of lowering State Operating Funds receipts and disbursements. In general, if these and other transactions are not executed or reported in a manner consistent with DOB's interpretation of legislation included with the FY 2019 Enacted Budget, then the annual spending growth in State Operating Funds would be higher than Enacted Budget Financial Plan projections.

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

Fund types of the State include: the General Fund; State Special Revenue Funds, which receive certain dedicated taxes, fees and other revenues that are used for 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.

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. It is not used by DOB as a benchmark for managing State finances during the fiscal year, nor updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements, but there can be no assurance that the pro forma GAAP financial plan conforms to all GAAP principles.

Budgetary/Accounting Practices

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on many assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Updated Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, considering the current and projected fiscal position of the State.

The Updated Financial Plan projections for FY 2020 and thereafter reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in the Updated Financial Plan, to no greater than 2 percent. Total disbursements in the tables and narrative contained in this AIS Update do not reflect these assumed savings, which are reflected instead on a distinct line and labeled "Adherence to 2% Spending Benchmark". Updated Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

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 Updated Financial Plan may reflect a net expenditure amount while OSC may report the gross amount of the 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).

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Overview of the Updated Financial Plan

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Overview of the Updated Financial Plan

The following table provides certain Updated Financial Plan information for FY 2018 and FY 2019.

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

	FY 2018	FY 2019		
	Results	Enacted	First Quarter	Mid-Year
State Operating Funds Disbursements				
Size of Budget	$98,151	$100,135	$100,135	$100,135
Annual Growth	2.0%	2.0%	2.0%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)[1]	$59,872	$64,188	$64,173	$64,082
Annual Growth	3.2%	7.2%	7.2%	7.0%
General Fund (Including Transfers)[1,2]	$69,724	$75,585	$75,570	$74,768
Annual Growth	2.4%	8.4%	8.4%	7.2%
Capital Budget (Federal and State)	$10,640	$14,474	$14,474	$13,170
Annual Growth	4.8%	36.0%	36.0%	23.8%
Federal Operating Aid	$54,953	$55,673	$55,673	$58,282
Annual Growth	8.5%	1.3%	1.3%	6.1%
All Funds[3]	$163,744	$170,282	$170,282	$171,587
Annual Growth	4.3%	4.0%	4.0%	4.8%
Capital Budget (Including "Off-Budget" Capital[4])	$11,284	$15,146	$15,146	$13,864
Annual Growth	5.1%	34.2%	34.2%	22.9%
All Funds (Including "Off-Budget" Capital[4])	$164,388	$170,954	$170,954	$172,281
Annual Growth	4.3%	4.0%	4.0%	4.8%
Inflation (CPI)	2.1%	2.3%	2.5%	2.5%
All Funds Receipts				
Taxes	$79,266	$77,923	$77,923	$77,923
Annual Growth	6.6%	-1.7%	-1.7%	-1.7%
Miscellaneous Receipts	$27,262	$28,005	$28,300	$28,178
Annual Growth	2.5%	2.7%	3.8%	3.4%
Federal Receipts (Operating and Capital)	$58,942	$60,083	$60,083	$62,510
Annual Growth	6.4%	1.9%	1.9%	6.1%
Total Receipts[3]	$165,470	$166,011	$166,306	$168,611
Annual Growth	5.8%	0.3%	0.5%	1.9%
General Fund Cash Balance	$9,445	$5,504	$5,799	$6,456
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798
Extraordinary Monetary Settlements	$5,020	$3,013	$3,308	$3,949
All Other Reserves/Fund Balances	$2,627	$693	$693	$709
Debt				
Debt Service as % All Funds Receipts	4.0%	3.3%	3.3%	3.3%
State-Related Debt Outstanding	$51,631	$54,964	$54,964	$53,866
Debt Outstanding as % Personal Income	4.0%	4.3%	4.3%	4.0%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,397	118,868	118,868	118,868

1 FY 2019 General Fund disbursements, before and after transfers, exclude reclassification of mental hygiene funds to the General Fund from Special Revenue Funds and movement of certain DOT and DMV operating expenses to the General Fund from the Dedicated Highway and Bridge Trust Fund.

2 Includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

3 All Funds disbursements are expected to exceed receipts (including other financing sources) in FY 2019 with the difference funded from other available resources, including Extraordinary Monetary Settlements and GO bond proceeds used to reimburse capital spending planned from other funding sources in the first instance.

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

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

Summary

- The Updated Financial Plan for FY 2019 is expected to remain in balance on a cash basis in the General Fund. Estimates for General Fund disbursements have been reduced in each year of the Updated Financial Plan, based on a review of operating results to date and other information. Annual spending growth in State Operating Funds is estimated at 2 percent, consistent with the Enacted Budget Financial Plan.

- The General Fund budget gap for FY 2020 is now estimated at $3.1 billion, a decrease of nearly $1 billion compared to the Enacted Budget Financial Plan. If spending growth in State Operating Funds were to be held to 2 percent in FY 2020, DOB estimates the General Fund budget gap would be $402 million.[2]

- State Operating Funds disbursements are estimated at $100.1 billion in FY 2019, an increase of 2 percent over FY 2018 results. The estimate reflects downward revisions in certain categories of disbursements, which are expected to be offset by an FY 2019 planned payment of $145 million for debt service due in FY 2020.[3] To maintain annual spending growth at 2 percent, DOB actively manages disbursements with the goal of adhering as closely as possible to the 2 percent spending benchmark.

- Since the Enacted Budget Financial Plan as reported in the AIS, the Updated Financial Plan reflects an additional $335 million received in Extraordinary Monetary Settlement payments from firms that have engaged in conduct that violates New York State laws and regulations. These Extraordinary Monetary Settlement payments will be held in reserve, consistent with treatment of other settlements. Extraordinary Monetary Settlements held in reserve in the General Fund are expected to total $3.95 billion at the close of FY 2019, of which $411 million has not been designated for specific purposes. In addition, the General Fund is expected to maintain $1.8 billion in rainy day reserves, $500 million for debt management, and smaller balances in other reserves.

[2] Assumes the current composition of State Operating Funds, and that all savings from reducing spending growth to 2 percent are made available to the General Fund.

[3] The planned payment was sized to maintain State Operating Funds disbursements at the level estimated in the Enacted Budget Financial Plan.

- On July 31, 2018, the State received a $1 billion payment from Fidelis Care, a nonprofit insurer associated with the Catholic Diocese of New York. The payment was made in connection with the sale of substantially all its assets to Centene Corporation, a for-profit health insurer based in St. Louis, Missouri, allowing that entity 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 the Department of Health, the Department of Financial Services (DFS) and the Office of the Attorney General. The timing of the transaction and receipt of the initial payment is consistent with the estimates included in the Enacted Budget Financial Plan. For more information, see the "State Financial Plan Projections Fiscal Years 2019 Through 2022 - Health Care Transformation Fund (HCTF)" section later in this AIS Update.

- On August 23, 2018, the Internal Revenue Service (IRS) issued proposed regulations – IRS REG-112176-18 – that seek to provide new rules governing 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 contributions. In the case of state tax credits received by a taxpayer making a charitable contribution, the proposed regulations would require the taxpayer to reduce the Federal income tax deduction by the amount of the state tax credit received for such charitable contribution; provided, however, this rule would not apply if the value of the state tax credit to be received does not exceed 15 percent of the charitable contribution. If finalized, the effective date of these proposed regulations would be August 27, 2018. The Treasury Department and the IRS have collected comments from the general public on these proposed regulations and held a public hearing on November 5, 2018. Based on its review of the proposed regulations, DOB anticipates that if the proposed regulations are adopted in their current form, then contributions to the State Charitable Gifts Trust Fund may decline. The proposed regulations, by their terms, do not impact the Federal tax reduction that DOB expects would result for certain taxpayers employed by entities that may enroll in the Employer Compensation Expense Program (ECEP).

- On September 4, 2018, the United University Professions (UUP) ratified a six-year collective bargaining agreement for academic years 2017 through 2022. The agreement provides for a 2 percent general salary increase in each year of the contract, and additional compensation changes, which are partly offset by benefit design changes within the New York State Health Insurance Program (NYSHIP). The multi-year costs of the agreement (approximately $225 million in FY 2019) are reflected in the Updated Financial Plan.

- In September 2018, the U.S. Bureau of Economic Analysis (BEA) released the State personal income data used to calculate the final School Aid Growth Cap for the 2019-20 school year pursuant to State Education Law Section 3602. The resulting Personal Income Growth Index (PIGI), equal to the annual growth rate in New York State personal income from FY 2017 to FY 2018, is 6.1 percent. However, the Updated Financial Plan assumes School Aid growth of only 3.6 percent. Consistent with DOB's practice since enactment of the PIGI as the statutory growth cap for School Aid, the PIGI impact will be reflected in the FY 2020 Executive Budget Financial Plan as part of a comprehensive recommendation for School Aid.

- On October 10, 2018, the Police Benevolent Association of the New York State Troopers (NYSTPBA) ratified a five-year collective bargaining agreement for FY 2019 through FY 2023. The agreement provides for a 2 percent general salary increase in each year of the contract and additional compensation changes, which are partly offset by benefit design changes within NYSHIP, similar to UUP and the Civil Service Employees Association (CSEA). Costs are expected to be funded within agency operating budgets, consistent with the treatment of other negotiated salary increases.

- The Governor is expected to submit his FY 2020 Executive Budget to the Legislature no later than February 1, 2019. DOB expects the current Administration will continue to propose, and the Legislature will continue to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The spending benchmark is calculated using the cash basis of accounting, as described herein, and is based on the current composition of the State Operating Funds perspective as reported by DOB. The General Fund operating projections[4] for FY 2020, FY 2021, and FY 2022 are calculated based on this assumption. DOB expects that specific proposals to limit annual spending growth in State Operating Funds to 2 percent will be included in future budget proposals.

[4] The Updated Financial Plan displays General Fund budget gaps both before and after savings that would be estimated to occur if annual growth in State Operating Funds spending is held to 2 percent in FY 2020 and each year thereafter.

General Fund Operating Results Through September 2018

- The State ended September 2018 with a General Fund cash balance of $6.5 billion, $533 million above the Enacted Budget Financial Plan estimate. The higher balance is mainly attributable to lower spending for agency operations and capital projects, and receipt of unplanned Extraordinary Monetary Settlements.

- Receipts, including transfers from other funds, totaled $35.9 billion through September 2018. Tax receipts were generally consistent with Enacted Budget Financial Plan estimates. Non-tax receipts were $262 million above planned levels, due mainly to Extraordinary Monetary Settlements.

- Disbursements, including transfers to other funds, totaled $38.9 billion through September 2018, $350 million lower than the initial projections presented in the Enacted Budget Financial Plan. Lower spending for local assistance reflects payments for education, higher education, and social services programs. Many of these payments are expected to occur by the end of the third quarter of FY 2019. However, some of the spending reduction has been recognized in the downward revisions to certain categories of disbursements in the Updated Financial Plan. In addition, certain General Fund transfers to other funds were not needed in the first half of FY 2019, as spending for capital projects and other purposes occurred more slowly than expected. These transfers are expected to be made later in FY 2019.

Multi-Year Financial Plan Revisions (FY 2019 and Outyears)

The following table summarizes revisions to the FY 2019 Enacted Budget Financial Plan. Descriptions of the changes follow the table below.

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

	FY 2019	FY 2020	FY 2021	FY 2022
ENACTED BUDGET FINANCIAL PLAN UPDATE SURPLUS/(GAP)	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Receipts Revisions	**280**	**(14)**	**(15)**	**(14)**
Non-Tax Receipts	(15)	(14)	(15)	(14)
Monetary Settlement Payments	295	0	0	0
Disbursements Revisions	**15**	**14**	**15**	**14**
Local Assistance	15	11	11	11
Agency Operations	0	3	4	3
Transfers to Other Funds	0	0	0	0
Use/(Reserve) of Fund Balance	**(295)**	**0**	**0**	**0**
Extraordinary Monetary Settlements	(295)	0	0	0
FIRST QUARTERLY UPDATE SURPLUS/(GAP)	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Receipts Revisions[1]	**(145)**	**385**	**214**	**(128)**
Tax Receipts (before Debt Service)	0	0	0	0
Debt Service (impact on Tax Receipts)[1]	(209)	166	(76)	(142)
Debt Service Prepayment	(145)	145	0	0
Other Debt Service Revisions	(64)	21	(76)	(142)
Non-Tax Receipts	24	219	290	14
Mashreqbank Settlement Payment	40	0	0	0
Disbursements Revisions	**802**	**662**	**418**	**254**
Local Assistance	35	56	(149)	141
Agency Operations	56	299	292	228
Transfers to DIIF	601	107	114	(280)
Transfers to Debt Service Funds	52	125	113	129
Transfers to Other Funds	58	75	48	36
Use/(Reserve) of Fund Balance	**(657)**	**(90)**	**(115)**	**280**
Extraordinary Monetary Settlements	(641)	(107)	(114)	280
Settlement Payments Received	(40)	0	0	0
Transfer to DIIF	(601)	(107)	(114)	280
Community Projects Fund	(16)	17	(1)	0
Change in Adherence to 2% Spending - Calculated Savings	**0**	**579**	**117**	**235**
MID-YEAR UPDATE SURPLUS/(GAP)[2]	**0**	**(3,070)**	**(6,429)**	**(6,551)**
Adherence to 2% SOF Spending - Calculated Savings [3]	0	2,668	5,431	6,235
MID-YEAR UPDATE SURPLUS/(GAP)	**0**	**(402)**	**(998)**	**(316)**

[1] Includes impact of changes to estimated debt service that alter the amount of tax receipts transferred to the General Fund.

[2] Before actions to adhere to the 2 percent benchmark.

[3] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Receipts Revisions

General Fund receipts, including transfers from other funds, are projected to total $72.8 billion in FY 2019, an increase of $135 million from the Enacted Budget Financial Plan. Projected General Fund tax receipts remain unchanged. However, transfers of tax receipts after payment of debt service have been revised to reflect the planned payment in FY 2019 of $145 million in debt service due in FY 2020[5]. In addition, miscellaneous receipts and transfers from other State funds have been revised to reflect the receipt of unplanned Extraordinary Monetary Settlement payments, updated information and accounting reclassifications, as well as certain transactions that may not be completed by year-end.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total $75.8 billion in FY 2019, a decrease of $817 million from the Enacted Budget Financial Plan projections. Revisions to General Fund disbursements are based on a review of operating results to date and updated information on programs and activities.

Local Assistance

Projected General Fund disbursements for local assistance have been revised downward in each year of the Updated Financial Plan. General Fund disbursements for local assistance are expected to total $51 billion in FY 2019, a $50 million decrease from the Enacted Budget Financial Plan. Notable revisions include:

- Mental Hygiene: Lowered General Fund spending in FYs 2019 and 2020 is largely driven by the timing of Federal support for a variety of Medicaid-funded programs including children's residential treatment services, and care coordination expenses.

- School Aid/Special Education: School Aid changes include recoveries of overpayments for the 2018-19 school year, as well as underspending for Statewide Universal Full-Day Prekindergarten outside of New York City (NYC). Spending for the preschool special education and summer school special education programs has been revised downward due to lower than anticipated enrollment and minimum wage costs.

- Social Services: Spending reductions are due mainly to updated assumptions for detention and foster care spending.

[5] Prepayments will be funded with resources that DOB expects to be available after operations. The level of prepayments may change, depending on FY 2019 operating results. Debt service revisions typically affect both transfers from and to the General Fund. Thus, the reduction in tax receipts transferred to the General Fund is offset in part by a downward revision to General Fund transfers to support spending from the Debt Service Fund.

- Health/Medicaid: Estimated HCRA surcharge receipts have been increased by $101 million in FY 2019 and in each year thereafter, based on prior year trends and actual collections to date. Savings in FY 2019 are offset by a claims correction that is expected to drive a one-time $50 million increase in State costs. Child Health Plus (CHP) enrollment continues to grow above current estimates, resulting in upward revisions to spending over the multi-year Updated Financial Plan. Beginning in FY 2020, the projected cost of the minimum wage increase to the Medicaid program has been revised upward by roughly $100 million annually, due to increased utilization. In addition, health care transformation spending has been increased. See "Health Care Transformation Fund (HCTF)" in "State Financial Plan Projections Fiscal Years 2019 Through 2022" herein.

- Human Services Cost-of-Living Adjustment (COLA): The statutory human services COLA calculation affecting service providers, primarily in children and family and mental hygiene programs, was updated in August 2018. The updated COLA for FY 2020 is 2.9 percent, compared to 2.5 percent estimated in the Enacted Budget Financial Plan.

- Other: Local assistance spending estimates have been revised for other programs based on enrollment, applications, participation and spending to date.

Agency Operations

General Fund disbursements for agency operations, including employee fringe benefits, are expected to total $19.2 billion in FY 2019, a decrease of $56 million from the Enacted Budget Financial Plan projections. The most significant changes include:

- Health Insurance: Reflects revised estimates for health care inflation and enrollment trends, including lower costs associated with the competitively bid NYSHIP prescription drug contract, which is pending final approval from the State Comptroller.

- Pensions: Reflects revised estimates from the pension system, including updated information on salary trends, veterans pension credit costs, and higher than anticipated investment returns.

- Other: State Operations estimates have been revised across several areas based on spending to date. Notable changes include an upward revision for mental hygiene spending due mainly to delayed timing of the expansion of community-based services. Revisions also reflect an increase in Social Security costs due to the UUP contract,[6] which are entirely funded by the State.

Transfers to Other Funds

General Fund transfers to other funds are expected to total $5.5 billion in FY 2019, a decrease of $711 million from the Enacted Budget Financial Plan. The most significant changes include:

- Transfers to the Dedicated Infrastructure Investment Fund (DIIF): Timing of transfers of settlement reserves to support activities appropriated in other funds has been updated based on spending to date.

- Transfers to Debt Service Funds: Updated debt service costs reflect actual bond sales to date and savings from refunding certain bonds.

- Transfers to Other Funds: Other General Fund transfers are expected to be lower than previously anticipated mainly due to revised levels of spending for capital projects and other programs, and other accounting reclassifications and adjustments.

[6] The cost of the SUNY UUP salary contract ratified by members in September 2018 has been added to the Updated Financial Plan, including retroactive payments to academic year 2017. Nearly all the spending (roughly $225 million in FY 2019 and $265 million in FY 2020) occurs outside of the General Fund in SUNY special revenue accounts.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 2 percent from FY 2018 to FY 2019, consistent with the 2 percent spending growth benchmark. The table below illustrates major sources of annual change in State spending by major program, purpose and fund.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**65,604**	**66,700**	**1,096**	**1.7%**
School Aid (School Year Basis)	25,639	26,553	914	3.6%
DOH Medicaid[1]	19,143	20,396	1,253	6.5%
Transportation[2]	5,025	3,936	(1,089)	-21.7%
STAR[3]	2,589	2,459	(130)	-5.0%
Social Services	2,837	2,971	134	4.7%
Higher Education	2,833	3,057	224	7.9%
Mental Hygiene	2,350	2,181	(169)	-7.2%
All Other[4]	5,188	5,147	(41)	-0.8%
STATE OPERATIONS/GENERAL STATE CHARGES	**26,674**	**27,915**	**1,241**	**4.7%**
State Operations	**18,821**	**19,505**	**684**	**3.6%**
Personal Service:	13,170	13,716	546	4.1%
Executive Agencies	7,314	7,434	120	1.6%
DOT/DMV Operations Reclassification	0	167	167	0.0%
University Systems	3,806	4,022	216	5.7%
Elected Officials	2,050	2,093	43	2.1%
Non-Personal Service:	5,651	5,789	138	2.4%
Executive Agencies	2,690	2,798	108	4.0%
DOT/DMV Operations Reclassification	0	115	115	0.0%
University Systems	2,377	2,273	(104)	-4.4%
Elected Officials	584	603	19	3.3%
General State Charges	**7,853**	**8,410**	**557**	**7.1%**
Pension Contribution	2,442	2,417	(25)	-1.0%
Health Insurance	3,963	4,205	242	6.1%
Other Fringe Benefits/Fixed Costs	1,448	1,788	340	23.5%
DEBT SERVICE	**5,873**	**5,520**	**(353)**	**-6.0%**
TOTAL STATE OPERATING FUNDS	**98,151**	**100,135**	**1,984**	**2.0%**
Capital Projects (State and Federal Funds)	**10,640**	**13,170**	**2,530**	**23.8%**
Federal Operating Aid	**54,953**	**58,282**	**3,329**	**6.1%**
TOTAL ALL GOVERNMENTAL FUNDS	**163,744**	**171,587**	**7,843**	**4.8%**

[1] Total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.

[2] The FY 2019 transportation estimate does not include the MTA PMT. The Enacted Budget provided that the PMT be remitted to MTA without an appropriation beginning in FY 2019.

[3] The FY 2018 Enacted Budget converted the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2019 Through 2022" herein.

[4] "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State fiscal year basis, School Aid is estimated to total $26.5 billion in FY 2019, an increase of $1 billion from FY 2018. It also reflects a reduction for the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund ($435 million in FY 2019), which reduces reported disbursements. Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety, as well as reclassifications.

State Operating Funds — Summary of Annual Spending Change

A significant amount of spending that occurs in State Operating Funds is supported with resources generated in exchange for services provided by State entities. Examples include State University of New York (SUNY) operations that are funded with tuition, patient and fee revenue; and regulatory activities by the Workers' Compensation Board (WCB) and DFS that are funded with industry assessments. In addition, other spending is supported with revenues that are used exclusively, or nearly exclusively, for dedicated purposes, such as the various taxes collected and disbursed to the MTA and other transit systems from the Metropolitan Mass Transportation Fund and public transportation funds. These "own-source" revenues contribute more than $400 million in projected spending growth from FY 2018 to FY 2019. These activities have no direct bearing on the State's ability to maintain a balanced budget in the General Fund.

Spending growth in recent years reflects the State's effort to address long-standing public policy issues. For example, in FY 2015, the State absorbed the full cost of growth in Medicaid on behalf of local governments. Additionally, in FY 2017, the State enacted a law that provides for predictable increases in the minimum wage. Relative to FY 2018, the FY 2019 State Operating Funds spending includes a nearly $800 million State share for the direct cost of the minimum wage increase to health care providers.

Local Assistance

Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In School Year (SY) 2019, School Aid is expected to total $26.6 billion, an increase of $914 million (3.6 percent), including a $618 million increase in Foundation Aid.[7] Medicaid spending subject to the Medicaid spending cap (or "Global Cap") will grow at the indexed rate of 3.2 percent to $18.9 billion. In total, Medicaid spending funded from State resources will increase to $20.4 billion in FY 2019. Increases are primarily attributable to the takeover of local Medicaid growth ($182 million), the cost of minimum wage increases, ($448 million), and other spending outside the Global Cap.

In FY 2018, bonds secured by annual payments from tobacco manufactures under the Master Settlement Agreement (MSA) were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately $435 million to be available in FY 2019 (including $103 million from FY 2018) and additional payments to be available in subsequent years. Legislation included in the FY 2018 Enacted Budget directed 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, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State $917 million in FY 2019 and $1.1 billion in FY 2020. Consistent with State law, DOB expects MSA payments to be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall Medicaid spending funded with State resources, but does reduce reported State-supported Medicaid spending accounted for in FY 2019 State Operating Funds by $435 million.

[7] Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at $26.7 billion in SY 2019, an increase of nearly $1 billion (3.9 percent) from SY 2018.

The FY 2019 Enacted Budget includes legislation dedicating $836 million to the MTA's NYC Subway Action Plan, which will provide $508 million for operating purposes and $328 million for capital purposes. The State and the City have each pledged to fund 50 percent of the MTA's NYC Subway Action Plan ($418 million). The State will provide $194 million from Extraordinary Monetary Settlements and $60 million in accelerated Payroll Mobility Tax (PMT) pass-through resources, which constitute the State's operating obligation consistent with the MTA's NYC Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service.

The PMT will no longer be appropriated annually by the State Legislature. Previously, the State collected the PMT on behalf of, and disbursed the entire amount to, the MTA. The FY 2019 Enacted Budget amended the enabling statute to no longer require the PMT to be appropriated annually by the State Legislature but instead paid directly to MTA from a sole custody fund. This allows the MTA to collect PMT receipts without delays or uncertainty related to the appropriation process. Consistent with this statutory change, the Updated Financial Plan does not include PMT receipts and related local assistance disbursements. In FY 2019, the PMT receipts and disbursements that are no longer reported in the Updated Financial Plan are estimated at approximately $1.5 billion and $1.4 billion, respectively.

STAR spending in FY 2018 and FY 2019 is affected by the conversion of STAR benefits to State PIT credits. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers. It does, however, decrease the level of reported PIT receipts and reported disbursements for STAR on a State Operating Funds basis by an identical amount (estimated at $775 million in FY 2018 and $937 million in FY 2019.)

Higher Education spending growth is due mainly to the second phase of the Excelsior Free Tuition Program, the timing of certain payments during academic year 2018, and increased funding for other scholarships, which provide financial aid to approximately 400,000 students.

Local assistance spending reported in the Updated Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State to a State public authority to offset debt service costs on State-supported bonds. The Legislature authorized, via specific language in the STARC appropriation, that the STARC refunding money recouped from NYC be treated as an offset to State spending. The Updated Financial Plan reflects the offset in the calculation of FY 2019 State Operating Funds spending. In prior years, the reimbursement money was reflected as a miscellaneous receipt.

State Operations/Fringe Benefits

Spending for Executive agency operations is expected to increase by 2.3 percent in FY 2019, excluding the reclassification of certain DOT and DMV operating costs to the General Fund. Beginning in FY 2019, the FY 2019 Enacted Budget appropriates certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses were previously funded by a transfer from the General Fund to the DHBTF. The change, which will increase disbursements in State Operating Funds by roughly $280 million in FY 2019, applies to operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities.

Operations spending for the University Systems and elected officials, the latter including the Attorney General, Comptroller, Legislature and Judiciary, are expected to increase by 1.8 percent and 2.4 percent, respectively.

Spending growth for fringe benefits is due mainly to rising employee health care and prescription drug costs. The State continues to repay the State Retirement System for amounts amortized from FY 2011 through FY 2016. The payments were amortized to mitigate the extraordinary increase in annual contributions following investment losses. In FY 2019, the amount of amortization repayment totals $432 million.

Debt Service

The decline in Debt Service Funds spending is mainly due to the payment of $594 million in planned FY 2019 debt service costs during FY 2018, which is partly offset by the planned pre-payment of $145 million of FY 2020 debt service costs during FY 2019.

FOR YOUR CONVENIENCE, THE INFORMATION FROM THE JULY 2, 2018 AIS RELATING TO THE IMPACTS ON THE STATE FROM FEDERAL TAX LAW CHANGES IS PROVIDED BELOW AND HAS BEEN UPDATED TO REFLECT YEAR TO DATE RESULTS AND OTHER RECENT DEVELOPMENTS.

Impact of 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 are effective in the 2018 tax year. The new Federal tax law makes 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. The changes to the Federal tax code will have significant flow-through effects on state tax burdens and state tax receipts. From the standpoint of individual New York State taxpayers, one of the most onerous provisions in the TCJA is a new $10,000 limit on the deductibility of State and Local Tax (SALT) payments, effective for tax year 2018. 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.

DOB and DTF estimate that the SALT deduction limit raises Federal tax liability for New York taxpayers by $14.3 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 statistically 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 erode the value of home prices, thereby posing risks to the State's tax base.

State Response to Federal Tax Law Changes

The FY 2019 Enacted Budget includes State tax reforms intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle, all of which are described below. The State is evaluating other tax law changes in response to the TCJA, including the feasibility of an unincorporated business tax.

On July 17, 2018, the State, joined by Connecticut, Maryland, and New Jersey, filed a lawsuit intended to protect New York taxpayers from the new Federal limit on the SALT deduction. The lawsuit argues that the new SALT limit was enacted to target New York and similarly situated states, that it interferes with states' rights to make their own fiscal decisions, and that it will disproportionately harm taxpayers in these states.

Decoupling From Federal Tax Code

The State tax code is closely aligned in many respects with the Federal tax code. The FY 2019 Enacted Budget includes legislation that decouples the State tax code from the Federal tax code, where appropriate, to minimize roughly $1 billion in State tax increases that would otherwise have been the result of the Federal tax changes. Those decoupled Federal changes, which would have affected the General Fund budget gaps projected in FY 2020 and beyond, include:

- Federal Limit on SALT Deduction. The TCJA capped the itemized deductions for SALT at $10,000. The State tax code is updated to decouple from this limit, preventing a State tax increase from the linkage of this Federal limit to State income tax returns.

- Federal Changes and Eliminations to Certain Deductions. The State decoupled from new Federal limits on other deductions.

- Temporary Federal Medical Expense Deduction Increase. Federal changes impose a two-year increase in the itemized medical expense deduction, thereby lowering taxpayer liability. The State has not changed its tax code.

- Child Tax Credit. Federal law increases the value of, and eligibility for, the child tax credit. The Empire State Child Tax Credit program will remain unchanged.

- New York Single Filer Standard Deduction. The Federal repeal of personal exemptions would have eliminated the ability of New York single-filer taxpayers to claim the standard deduction on their State tax returns. The FY 2019 Enacted Budget includes legislation to address this issue. Absent this legislation, New York State taxpayers would have been subject to an annual State tax increase of $840 million, beginning in FY 2020.

Employer Compensation Expense Program (ECEP)

Under legislation approved with the FY 2019 Enacted Budget, employers may opt in to a new ECEP, which is intended to mitigate the tax burden for employees affected by the SALT deduction limit. While the TCJA limits tax 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.

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, with the first annual election due by December 1, 2018 for the tax year beginning on January 1, 2019.

The ECEP is intended to be revenue neutral, with any decrease in New York State PIT receipts expected to be offset by a comparable increase in ECEP revenue. Remittance of ECEP revenue to the State is expected to occur on the same schedule as PIT withholdings, with remittances starting in the fourth quarter of FY 2019. A new State PIT credit will be 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.

DOB expects to include information on actual ECEP participation by the third quarterly update to the Enacted Budget Financial Plan, as information on employer elections becomes available.

State Charitable Gifts Trust Fund

The FY 2019 Enacted Budget created a new State Charitable Gifts Trust Fund to accept gifts, starting in tax year 2018, 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 making 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.[8] Amounts on deposit in the Charitable Gifts Trust Fund at the close of calendar year 2018 are expected to be appropriated for authorized purposes in the FY 2020 budget.

To date, the State has received $93 million in charitable gifts that have been deposited to the Charitable Gifts Trust Fund for healthcare and education ($57 million and $35 million, respectively). See the discussion below under "Impact of Tax Changes on PIT Revenue Bonds" for a stress test projection of the potential impact to PIT bondholders from charitable giving.

[8] The FY 2019 Enacted Budget also provides that the SUNY Research Foundation, the CUNY Research Foundation, and Health Research, Inc. may accept up to $10 million each in charitable gifts on an annual basis. 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.

Impact of 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 the State Charitable Gifts Trust Fund, the FY 2019 Enacted Budget amended the State Finance Law provisions creating the Revenue Bond Tax Fund to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the Revenue Bond Tax Fund from 25 percent to 50 percent. In addition, the legislation that created the ECEP requires that 50 percent of ECEP receipts received by the State be deposited to the Revenue Bond Tax Fund. These changes became effective April 1, 2018.

The amendments also increase the amount of all New York State PIT receipts collected from payroll withholding and ECEP receipts that must be deposited in the Revenue Bond Tax Fund in the event that (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 Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund 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 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 PIT receipts and ECEP receipts or $12 billion.

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. Accordingly, the amount of donations to the State Charitable Gifts Trust Fund is the principal direct risk to the amount of New York State PIT receipts deposited to the Revenue Bond Tax Fund under the tax law changes enacted by the State as part of the FY 2019 Enacted Budget. To address this risk, the State increased the amount of PIT receipts deposited into the Revenue Bond Tax Fund from 25 percent to 50 percent.

DOB and DTF performed a calculation of the maximum amount of charitable donations to the State Charitable Gifts Trust Fund that could occur annually under varying assumptions. The calculation of this ceiling is intended as a stress test on State PIT receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed as a projection of likely donations. 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 other governmental actors 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 ceiling on the amount of potential donations is calculated to be in the range of $28 billion annually, on average (2018 through 2022).[9] The calculation of the ceiling assumes that every

[9] The calculation of maximum potential donations is based on current law, including the scheduled reversion of the top PIT rate from 8.82 percent to 6.85 percent starting in tax year 2020.

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 personal income tax population study file (2016), 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) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Updated Financial Plan are materially accurate.

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

POTENTIAL EFFECT OF CONTRIBUTIONS TO THE STATE CHARITABLE GIFTS TRUST FUND ON REVENUE BOND TAX FUND RECEIPTS
STATE FISCAL YEARS 2019 THROUGH 2022
(billions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
Revenue Bond Tax Fund Receipts, Prior Law	$12.6	$13.5	$13.8	$14.4
Revenue Bond Tax Fund Receipts, Current Law	25.2	27.0	27.5	28.7
Revenue Bond Tax Fund Receipts After Charitable Gifts				
100% Participation	21.2	14.6	14.8	16.4
75% Participation	22.2	17.7	18.0	19.4
50% Participation	23.2	20.8	21.2	22.5
25% Participation	24.2	23.9	24.3	25.6
10% Participation	24.8	25.7	26.2	27.5

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 State 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 the State 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 PIT receipts in each year. After these adjustments and with inclusion of ECEP revenues, receipts to the Revenue Bond Tax Fund 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 DOB and DTF calculation of the projected ceiling on the amount of donations 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 Revenue Bond Tax Fund below the levels projected in the FY 2019 Executive Budget Financial Plan, as amended. 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 Revenue Bond Tax Fund.

Accordingly, although the calculation of a maximum amount of charitable donations to the State Charitable Gifts Trust Fund reflects DOB's and DTF's current best judgment and estimates, such amount may be higher.

IRS Guidance

On August 23, 2018, the IRS issued proposed regulations – IRS REG-112176-18 – that seek to provide new rules governing 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 proposed regulations would require the taxpayer to reduce the Federal income tax deduction by the amount of the state tax credit received for such charitable contribution; provided, however, this rule would not apply if the value of the state tax credit to be received does not exceed 15 percent of the charitable contribution. If finalized, the effective date of these proposed regulations would be August 27, 2018. The Treasury Department and the IRS have collected comments from the general public on these proposed regulations and held a public hearing on November 5, 2018. Based on its review of the proposed regulations, DOB anticipates that if the proposed regulations are adopted in their current form, then contributions to the State Charitable Gifts Trust Fund may decline. The proposed regulations, by their terms, do not impact the Federal tax reduction that DOB expects would result for certain taxpayers employed by entities that may enroll in the ECEP.

Implementation

The State developed the 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 above, the IRS has proposed regulations that would 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.

The FY 2019 Enacted Budget allows 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 DTF within 60 days of making an interest payment to the IRS.

There could be a material expense to the State 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 Updated Financial Plan from 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.

The Updated Financial Plan does not include any estimate of the magnitude of the possible interest expense to the State, which depends on several factors, including: rates of participation in the ECEP; the magnitude of donations to the State 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. 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.

General Fund Cash-Basis Financial Plan

Enacted Budget Financial Plan

The General Fund is affected by two fund reclassifications approved in the FY 2019 Enacted Budget. The changes have no net impact on General Fund operations, but change the reporting of receipts and disbursements in total and among spending categories.

- Mental Hygiene Fund Reclassification. Spending from two State Special Revenue Fund accounts, the Mental Hygiene Program Fund and Patient Income Account, is reclassified to the General Fund to improve reporting transparency by eliminating large transfers between funds. The reclassification moves local assistance and operations spending, as well as the supporting revenue, into the General Fund, and eliminates transfers from the General Fund to the two Mental Hygiene State Special Revenue Fund accounts. In addition, roughly $1.4 billion of fringe benefit spending associated with Mental Hygiene agencies will move from the respective agencies to the central General State Charges (GSCs) budget.

- DOT/DMV Operating Cost Reclassification. Certain DOT and DMV operating costs related to snow and ice removal, bus, truck and rail inspection, and DMV regulatory activities are reclassified from the DHBTF to the General Fund. In the General Fund, the increased operating spending is offset by an identical reduction in the transfer to the DHBTF. The reclassification is intended to align operating and capital functions with their revenue sources.

The reclassifications affect the comparability of FY 2018 results to FY 2019 estimates. In addition, General Fund receipts and disbursements continue to be affected by the receipt and use of Extraordinary Monetary Settlements. The following table adjusts for the impact of the reclassifications and Extraordinary Monetary Settlements. Unless otherwise noted, the discussions of receipts and disbursements that follow the table exclude (a) the receipts and use of Extraordinary Monetary Settlements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019. See "State Financial Plan Projections Fiscal Years 2019 Through 2022 - Financial Plan Tables" herein for the unadjusted plan.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2018 Results	FY 2019 Adjusted	MH Reclass	DOT/DMV Reclass	FY 2019 Updated	Adjusted Annual Change Dollar	Adjusted Annual Change Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,414	4,425	0	0	4,425	2,011	83.3%
Total Receipts	70,642	71,336	986	30	72,352	694	1.0%
Taxes	67,370	67,486	0	0	67,486	116	0.2%
Miscellaneous Receipts/Federal Grants [1]	2,351	2,167	(166)	30	2,031	(184)	-7.8%
Transfers from Other Funds	921	1,683	1,152	0	2,835	762	82.7%
Total Disbursements	69,323	73,637	986	30	74,653	4,314	6.2%
Local Assistance	46,072	49,303	1,710	0	51,013	3,231	7.0%
State Operations	13,800	14,779	4,075	388	19,242	979	7.1%
Transfers to Other Funds [2]	9,451	9,555	(4,799)	(358)	4,398	104	1.1%
Net Change in Operations	1,319	(2,301)	0	0	(2,301)	(3,620)	-274.5%
General Fund Use of Extraordinary Monetary Settlements[3]	692	383			383	(309)	-44.7%
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	4,425	2,507	0	0	2,507	(1,918)	-43.3%
Extraordinary Monetary Settlements							
Opening Balance	5,335	5,020			5,020	(315)	-5.9%
New Settlements Received[4]	805	518			518	(287)	-35.7%
Transfers/Uses	(1,120)	(1,589)			(1,589)	(469)	41.9%
Closing Balance (Extraordinary Monetary Settlements)	5,020	3,949			3,949	(1,071)	-21.3%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	9,445	6,456			6,456	(2,989)	-31.6%

[1] Excludes the Extraordinary Monetary Settlements received by the General Fund, except those amounts retained by the Department of Law in other funds to support operational costs.

[2] Excludes the use of Extraordinary Monetary Settlements to support transfers from the General Fund to other funds (e.g., Dedicated Infrastructure Investment Fund).

[3] FY 2018: $461 million for operations, $76 million for an unbudgeted litigation payment, and $155 million set aside to fund potential retroactive salary increases. FY 2019: $383 million expected to be used for operations.

[4] Includes the gross value of all settlements received by the State, including funds retained by the Department of Law in other funds to support operational costs.

Receipts[10]

General Fund receipts, including transfers from other funds, are projected to total $71.3 billion in FY 2019, an increase of $694 million (1.0 percent) from FY 2018 results. The annual change is impacted by the shift of an estimated $1.9 billion in PIT receipts from FY 2019 into FY 2018 due to the TCJA and the payment of $500 million in additional PIT refunds in the last quarter of FY 2018. Excluding these shifts, the total receipts increase is $4.0 billion or 5.8 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $46.4 billion, an annual decrease of $580 million. Excluding the shifts described above, the underlying PIT growth of roughly 6.0 percent is consistent with forecasted economic growth and revisions based on April 2018 results.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $13.4 billion, an annual increase of $207 million (1.6 percent). This reflects projected growth in disposable income and taxable consumption.

General Fund business tax receipts are estimated at $5.6 billion, an increase of $710 million (14.4 percent). This growth is due to projected increases in corporate profits and new for-profit insurance providers subject to a premium insurance tax.

Other tax receipts to the General Fund are expected to total $2.0 billion including transfers after payment of debt service on Clean Water/Clean Air (CW/CA) bonds, a decrease of $221 million (9.7 percent). This decrease reflects a return to an average number of estate tax payments exceeding $25 million.

Non-tax receipts are estimated at $3.9 billion, an increase of $578 million. The growth is mainly due to the expected transfer of resources from the HCTF.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2019 Through 2022" herein.

[10] The reported activity by financial plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019.

Disbursements[11]

General Fund disbursements, including transfers to other funds, are expected to total $73.6 billion in FY 2019, an annual increase of $4.3 billion (6.2 percent) from FY 2018 results.

Local assistance grants are expected to total $49.3 billion in FY 2019, an annual increase of $3.2 billion (7.0 percent). The largest increases are $1.0 billion for School Aid (on a State fiscal year basis) and $971 million for Medicaid.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $14.8 billion, an annual increase of $979 million (7.1 percent). Personal and non-personal service costs increased $685 million from FY 2018, reflecting increased personal service costs driven by labor agreements. Fringe benefit costs associated with State employees, including retiree health insurance costs, are expected to increase by $294 million (5.3 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's costs for Workers' Compensation are expected to increase by $174 million, due to underlying growth in the average weekly wage benefit and medical costs ($69 million), as well as a reduction in other resources available to offset costs ($105 million).

General Fund transfers to other funds are estimated to total $9.6 billion, an increase of $104 million. The increase is mainly due to transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements), reflecting the timing of General Fund capital reimbursements from bond proceeds.

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 disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2019 through 2022" herein.

[11] The reported activity by financial plan category excludes the impacts of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019.

Closing Balance for FY 2019

DOB projects that the State will end FY 2019 with a General Fund cash balance of $6.5 billion, a decrease of $3.0 billion from FY 2018. The General Fund closing balance, excluding Extraordinary Monetary Settlements, is estimated at $2.5 billion, or $1.9 billion lower than the closing balance at the end of FY 2018. The change is due almost entirely to the expected use of the $1.9 billion in cash received in FY 2018 that is attributed to taxpayer behavior, principally the acceleration of tax payments in response to the Federal limit on SALT deductibility, which became effective January 1, 2018.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to remain unchanged at $1.8 billion. The Updated Financial Plan continues to maintain a reserve of $500 million for debt management purposes. DOB will decide on the use of these funds based on market conditions, financial plan needs, and other factors.

The balance from Extraordinary Monetary Settlements is expected to total $3.9 billion at the close of FY 2019, a decrease of $1.1 billion from FY 2018. The anticipated decrease reflects the use of Extraordinary Monetary Settlements to fund activities appropriated from other funds ($937 million); the MTA Subway Action Plan ($194 million); and general operations ($383 million), partly offset by the receipt of settlement payments to date in FY 2019 ($518 million less $75 million retained by the Department of Law in other funds).

TOTAL BALANCES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Annual Change
TOTAL GENERAL FUND BALANCE	**9,445**	**6,456**	**(2,989)**
General Fund (Excl. Extraordinary Monetary Settlements)	**4,425**	**2,507**	**(1,918)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	46	33	(13)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	155	155	0
Undesignated Fund Balance	1,905	0	(1,905)
Extraordinary Monetary Settlements Fund Balance	**5,020**	**3,949**	**(1,071)**

Cash Flow

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

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due without having to temporarily borrow from STIP. 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 2019
(millions of dollars)

	General Fund	Other Funds	All Funds
April	9,938	4,075	14,013
May	5,130	3,865	8,995
June	6,313	4,853	11,166
July	5,417	6,286	11,703
August	4,114	6,555	10,669
September	6,451	4,883	11,334
October	6,612	4,516	11,128
November	3,883	3,521	7,404
December	6,478	4,743	11,221
January	12,456	4,418	16,874
February	12,748	3,763	16,511
March	6,456	3,899	10,355

Extraordinary Monetary Settlements

From the beginning of FY 2015 through October 2018, DOB calculates that the State has received a total of $11.2 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. The following table lists the Extraordinary Monetary Settlements by firm and amount.

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	Total
Extraordinary Monetary Settlements	**4,942**	**3,605**	**1,317**	**805**	**518**	**11,187**
BNP Paribas	2,243	1,348	0	350	0	3,941
Department of Financial Services (DFS)	2,243	0	0	350	0	2,593
Asset Forfeiture (DANY)	0	1,348	0	0	0	1,348
Deutsche Bank	0	800	444	0	205	1,449
Credit Suisse AG	715	30	0	135	0	880
Commerzbank	610	82	0	0	0	692
Barclays	0	670	0	0	0	670
Credit Agricole	0	459	0	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	0	315
Bank of America	300	0	0	0	0	300
Standard Chartered Bank	300	0	0	0	0	300
Goldman Sachs	0	50	190	0	55	295
Morgan Stanley	0	150	0	0	0	150
Bank Leumi	130	0	0	0	0	130
Ocwen Financial	100	0	0	0	0	100
Citigroup (State Share)	92	0	0	0	0	92
MetLife Parties	50	0	0	0	0	50
American International Group, Inc.	35	0	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	0	20
Promontory	0	15	0	0	0	15
New Day	0	1	0	0	0	1
Volkswagen	0	0	32	33	0	65
Mega Bank	0	0	180	0	0	180
Agricultural Bank of China	0	0	215	0	0	215
PHH Mortgage	0	0	28	0	0	28
Intesa SanPaolo	0	0	235	0	0	235
Habib Bank	0	0	0	225	0	225
Cigna	0	0	0	2	0	2
Western Union	0	0	0	60	0	60
RBS Financial Products Inc.	0	0	0	0	100	100
Bank of America Merrill Lynch	0	0	0	0	42	42
UBS	0	0	0	0	41	41
Athene Life Insurance	0	0	0	0	15	15
Nationstar Mortgage	0	0	0	0	5	5
William Penn	0	0	0	0	6	6
Lockton Affinity	0	0	0	0	7	7
Chubb	0	0	0	0	1	1
Mashreqbank	0	0	0	0	40	40
Other Settlements	7	0	(7)	0	1	1

Since the Enacted Budget Financial Plan, the State has received $335 million in monetary settlement payments from firms that have engaged in conduct that violates New York State laws and regulations. These settlement payments will be held in reserve, consistent with treatment of other settlements. Extraordinary Monetary Settlements held in the General Fund are expected to total $3.95 billion at the close of FY 2019, of which $411 million has not been designated for specific purposes.

In addition, Wells Fargo & Company ("Wells Fargo") has paid a $65 million penalty pursuant to an October 18, 2018 Settlement Agreement between Wells Fargo and the Office of the Attorney General. This Settlement Agreement pertains to Wells Fargo's representations to investors regarding its cross-selling business model and publicly reported cross-sell metrics. This Extraordinary Monetary Settlement has not been reflected in the Updated Financial Plan.

Uses of Extraordinary Monetary Settlements

A total of $10.8 billion in Extraordinary Monetary Settlements has been allocated to date. The remaining balance of $411 million remains unallocated.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM 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	FY 2022	FY 2023	FY 2024
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**5,335**	**5,020**	**3,949**	**2,908**	**2,167**	**1,282**	**613**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**805**	**518**	**0**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,120**	**1,589**	**1,041**	**741**	**885**	**669**	**202**
Capital Purposes:										
Transfer to DIIF	0	857	697	941	1,009	1,145	989	822	646	202
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	67	6	6	6	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	19	72	70	80	63	23	0
Transfer to DIIF for Javits Center Expansion	0	0	0	164	350	320	166	0	0	0
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	0	0
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0	0
Other Purposes:										
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	0	0
CSX Litigation Payment	0	0	0	76	0	0	0	0	0	0
Financial Plan - General Fund Operating Purposes	275	250	102	461	383	0	0	0	0	0
Transfer to Local Assistance Account - Mass Transit Operating	0	0	0	10	0	0	0	0	0	0
MTA Operating Aid	0	0	0	0	194	0	0	0	0	0
Department of Law - Litigation Services Operations	0	10	63	27	75	0	0	0	0	0
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	0	0
Reservation of Funds:										
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	0	0
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**5,335**	**5,020**	**3,949**	**2,908**	**2,167**	**1,282**	**613**	**411**

A total of $7.8 billion of Extraordinary Monetary Settlement receipts has been, or is expected to be, used to finance various spending from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another $2.9 billion has been, or is expected to be, used for other purposes, including resolution of certain matters such as Office for People with Developmental Disabilities (OPWDD) Federal disallowances in FY 2016, retroactive labor costs, General Fund operations, one-time litigation payments to CSX Transportation, Inc. (CSX), and costs of the Department of Law's Litigation Services Bureau.

The Updated Financial Plan reflects use of previously unallocated Extraordinary Monetary Settlements to support:

- General Fund Operations ($383 million). Consistent with prior years, the Updated Financial Plan reflects the use of funds not appropriated for other purposes.
- MTA Subsidy ($194 million). Additional support will be provided to the MTA for its operations in FY 2019 as part of the State's commitment to fund 50 percent of the MTA's New York City Subway Action Plan.
- Health Care Capital Grants ($125 million). An additional $525 million will be provided to the Health Care Facility Transformation Program, of which $125 million will be funded from Extraordinary Monetary Settlements over a multi-year period.

April – September 2018
Operating Results

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April-September 2018 Operating Results

This Section provides a summary of preliminary operating results for April 2018 through September 2018 compared to: (1) results for the same time period of the prior fiscal year (April 2017 through September 2017) and (2) the projections set forth in the Enacted Budget Financial Plan ("initial estimates") and (3) the FY 2019 First Quarterly Update to the Financial Plan ("revised estimates"). The focus of the spending discussion is on State Operating Funds, the basis on which the 2 percent annual spending growth benchmark is measured.

All Governmental Funds – Results Compared to Prior Year

All Governmental Funds receipts through September 2018 were $4.5 billion higher than the same prior year period, comprised of increased receipts in all major categories. Spending also increased for all major funds with the largest growth seen in Medicaid, Capital and Federal spending.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR
APRIL THROUGH SEPTEMBER
(millions of dollars)

	Results		Increase/(Decrease)	
	FY 2018	FY 2019	$	%
OPENING BALANCE	**11,105**	**12,749**	**1,644**	**14.8%**
ALL FUNDS RECEIPTS:	**76,561**	**81,083**	**4,522**	**5.9%**
Total Taxes	**36,087**	**37,292**	**1,205**	**3.3%**
Personal Income Tax	22,175	23,662	1,487	6.7%
All Other Taxes	13,912	13,630	(282)	-2.0%
Miscellaneous Receipts	**12,438**	**12,896**	**458**	**3.7%**
Federal Grants	**28,036**	**30,895**	**2,859**	**10.2%**
Bond & Note Proceeds	**0**	**0**	**0**	**0.0%**
ALL FUNDS DISBURSEMENTS:	**77,752**	**82,451**	**4,699**	**6.0%**
STATE OPERATING FUNDS	**46,494**	**47,663**	**1,169**	**2.5%**
Local Assistance	**30,608**	**31,828**	**1,220**	**4.0%**
School Aid	10,981	11,250	269	2.4%
DOH Medicaid (incl. admin and EP)	10,491	11,812	1,321	12.6%
All Other	9,136	8,766	(370)	-4.0%
State Operations	**14,331**	**14,526**	**195**	**1.4%**
Agency Operations	**9,309**	**9,476**	**167**	**1.8%**
Executive Agencies	4,993	5,118	125	2.5%
University Systems	3,021	2,979	(42)	-1.4%
Elected Officials	1,295	1,379	84	6.5%
Fringe Benefits/Fixed Costs	**5,022**	**5,050**	**28**	**0.6%**
Pension Contribution	2,303	2,276	(27)	-1.2%
Health Insurance	1,941	2,098	157	8.1%
Other Fringe Benefits/Fixed Costs	778	676	(102)	-13.1%
Debt Service	**1,555**	**1,309**	**(246)**	**-15.8%**
Capital Projects	**0**	**0**	**0**	**0.0%**
CAPITAL PROJECTS (State and Federal Funds)	**4,844**	**5,665**	**821**	**16.9%**
FEDERAL OPERATING AID	**26,414**	**29,123**	**2,709**	**10.3%**
NET OTHER FINANCING SOURCES	**(63)**	**(47)**	**16**	**25.4%**
CHANGE IN OPERATIONS	**(1,254)**	**(1,415)**	**(161)**	**12.8%**
CLOSING BALANCE	**9,851**	**11,334**	**1,483**	**15.1%**

Receipts

The PIT tax receipts grew $1.5 billion (6.7 percent) primarily due to a combination of strong growth in current estimated tax payments, moderate growth in withholding receipts, and a decline in Tax Year 2017 current refunds as the result of a nearly $500 million year-over-year increase in the FY 2018 January to March administrative refund cap. The growth is partially offset by increased Property Tax Relief Credit payments.

The decline in all other taxes includes the direct remittance of the PMT collections to the MTA beginning in FY 2019, which previously passed through the State and was thus included in the FY 2018 receipts ($636 million), as well as lower estate tax payments due to the receipt of three extraordinary super-large payments last year ($173 million). The declines were partly offset by higher Consumption/User Tax collections including growth in sales tax ($435 million) and corporate franchise tax receipts ($110 million).

Miscellaneous receipts were $458 million (3.7 percent) higher in the current year mainly due to the receipt of a $1 billion payment from Fidelis Care pursuant to the sale of substantially all its assets to Centene Corporation; higher HCRA receipts ($137 million); and revenues deposited into the newly created Charitable Gifts Trust Fund ($93 million). Lower bond proceed reimbursements ($754 million), primarily associated with SUNY and Environmental Conservation, partly offset the higher receipts.

Federal grants were $2.9 billion higher, and follow the increase in Federal operating aid disbursements described below.

Spending

State Operating Funds spending totaled $47.7 billion, an increase of $1.2 billion (2.5 percent) compared to the prior year. Growth in Medicaid ($1.3 billion) and School Aid ($269 million) was partially offset by lower aggregate spending in all other local assistance programs ($370 million).

Increased Medicaid spending was largely driven by:

- Increased claiming for monthly managed care and managed long-term care payments related to rate package changes that were expected to be processed later in this fiscal year ($645 million);
- Higher State reimbursements due to Federal Part D Clawback ($135 million);
- Timing of various program costs, including Supplemental Medical Insurance ($88 million), Managed Long-Term Care Quality Pool Awards ($62 million), Voluntary UPL ($48 million), reimbursements to local governments for Federal Medicaid Assistance Percentage (FMAP) savings reconciliations ($90 million), Community First Choice ($139 million) and other offline payments such as Advanced Training Initiative and CINERGY; and
- Underspending in the Essential Plan (EP) ($82 million) associated with the timing of Federal receipts.

The increase in School Aid spending was largely due to timing of Statewide Universal Full-Day Prekindergarten (SUFPK) aid payments to New York City ($222 million) and an increase in General Aid payments ($182 million), partially offset by lower spending for Teachers' Retirement ($83 million) and Excess Cost Aid ($58 million).

The decline in all other local assistance spending is primarily attributable to direct flow of the PMT collections to the MTA, which was previously passed through the State and included in the FY 2018 results ($584 million). This decline is partially offset by increased spending for higher education driven by Tuition Assistance Program (TAP) ($139 million) and CUNY Senior Colleges ($50 million).

Executive agency operational spending growth was largely attributable to increased spending for transportation ($84 million), which includes certain operating costs that were moved from the DHBTF to the General Fund beginning in the current year. Operating spending for elected officials increased due to Judiciary personal service costs associated with collectively bargained retro-active payments ($65 million).

Higher fringe benefits spending ($28 million) includes planned cost increases for the State's share of employee health insurance and Workers' Compensation payments, offset by lower pension costs and other timing-related transactional adjustments.

Lower debt service spending ($246 million) is mainly due to prepayment of FY 2019 obligations at the end of FY 2018.

Capital Projects Fund spending increased by $821 million primarily due to expenses for the MTA ($423 million), the Jacob Javits Convention center ($151 million), and faster than anticipated spending on the Housing Capital Plan ($85 million).

Growth in Federal operating aid spending ($2.7 billion) was driven by increases in several programs including:

- Medicaid ($1.4 billion higher), reflecting increased claiming and payments for Quality Pool/ Quality Incentive Vital Access Provider Pool (QIVAPP).
- Social Services ($774 million higher), primarily attributable to timing of payments related to Child Care ($425 million) and the Flexible Federal Fund for Family Services ($345 million) programs relative to the same period in the prior year.
- School Aid ($363 million higher), driven by increases in Title I School Grants, Title II Teacher Quality Improvement Grants and School Lunch Act Grants.
- EP ($265 million higher), due to enrollment growth.
- Public Health ($219 million lower), driven by the Child Health Plus (CHP) program as result of a large Federal retro payment in the prior year.

All Governmental Funds Results – Compared to Prior Plan

The State ended September 2018 with an All Funds closing balance of $11.3 billion, higher than both estimates ($2.2 billion above the initial estimate and $867 million higher than the revised estimate).

ALL GOVERNMENTAL FUNDS COMPARED TO PLAN
APRIL 2018 THROUGH SEPTEMBER 2018
(millions of dollars)

	Initial Plan	Revised Plan	Results	Above/(Below) Initial Plan $	Above/(Below) Initial Plan %	Above/(Below) Revised Plan $	Above/(Below) Revised Plan %
OPENING BALANCE	**12,749**	**12,749**	**12,749**	**0**	**0.0%**	**0**	**0.0%**
ALL FUNDS RECEIPTS:	**78,338**	**79,161**	**81,083**	**2,745**	**3.5%**	**1,922**	**2.4%**
Total Taxes	**37,313**	**37,474**	**37,292**	**(21)**	**-0.1%**	**(182)**	**-0.5%**
Personal Income Tax	23,747	23,749	23,662	(85)	-0.4%	(87)	-0.4%
Consumption / Use Tax	8,747	8,816	8,827	80	0.9%	11	0.1%
Business Taxes	3,693	3,809	3,705	12	0.3%	(104)	-2.7%
Other Taxes	1,126	1,100	1,098	(28)	-2.5%	(2)	-0.2%
Miscellaneous Receipts	**12,570**	**12,974**	**12,896**	**326**	**2.6%**	**(78)**	**-0.6%**
Federal Grants	**28,455**	**28,713**	**30,895**	**2,440**	**8.6%**	**2,182**	**7.6%**
ALL FUNDS DISBURSEMENTS:	**81,861**	**81,448**	**82,451**	**590**	**0.7%**	**1,003**	**1.2%**
STATE OPERATING FUNDS	**47,997**	**47,493**	**47,663**	**(334)**	**-0.7%**	**170**	**0.4%**
Local Assistance	**31,707**	**31,493**	**31,828**	**121**	**0.4%**	**335**	**1.1%**
School Aid	11,319	11,216	11,250	(69)	-0.6%	34	0.3%
DOH Medicaid[1]	11,050	10,891	11,812	762	6.9%	921	8.5%
Transportation	2,096	2,112	2,076	(20)	-1.0%	(36)	-1.7%
STAR	0	0	0	0	0.0%	0	0.0%
Social Services	1,413	1,238	1,146	(267)	-18.9%	(92)	-7.4%
Higher Education	1,674	1,785	1,728	54	3.2%	(57)	-3.2%
Mental Hygiene	1,099	1,066	1,029	(70)	-6.4%	(37)	-3.5%
All Other	3,056	3,185	2,787	(269)	-8.8%	(398)	-12.5%
State Operations	**14,948**	**14,663**	**14,526**	**(422)**	**-2.8%**	**(137)**	**-0.9%**
Agency Operations	**9,708**	**9,575**	**9,476**	**(232)**	**-2.4%**	**(99)**	**-1.0%**
Personal Service:	6,854	6,805	6,811	(43)	-0.6%	6	0.1%
Executive Agencies	3,865	3,779	3,790	(75)	-1.9%	11	0.3%
University Systems	1,947	1,904	1,902	(45)	-2.3%	(2)	-0.1%
Elected Officials	1,042	1,122	1,119	77	7.4%	(3)	-0.3%
Non-Personal Service:	2,854	2,770	2,665	(189)	-6.6%	(105)	-3.8%
Executive Agencies	1,466	1,391	1,328	(138)	-9.4%	(63)	-4.5%
University Systems	1,118	1,104	1,077	(41)	-3.7%	(27)	-2.4%
Elected Officials	270	275	260	(10)	-3.7%	(15)	-5.5%
Fringe Benefits/Fixed Costs	**5,240**	**5,088**	**5,050**	**(190)**	**-3.6%**	**(38)**	**-0.7%**
Pension Contribution	2,282	2,281	2,276	(6)	-0.3%	(5)	-0.2%
Health Insurance	2,120	2,105	2,098	(22)	-1.0%	(7)	-0.3%
Other Fringe Benefits/Fixed Costs	838	702	676	(162)	-19.3%	(26)	-3.7%
Debt Service	**1,342**	**1,337**	**1,309**	**(33)**	**-2.5%**	**(28)**	**-2.1%**
CAPITAL PROJECTS (State and Federal Funds)	**7,014**	**6,478**	**5,665**	**(1,349)**	**-19.2%**	**(813)**	**-12.6%**
FEDERAL OPERATING AID	**26,850**	**27,477**	**29,123**	**2,273**	**8.5%**	**1,646**	**6.0%**
NET OTHER FINANCING SOURCES	**(47)**	**5**	**(47)**	**-**	**0.0%**	**(52)**	**-1040.0%**
CHANGE IN OPERATIONS	**(3,570)**	**(2,282)**	**(1,415)**	**2,155**	**60.4%**	**867**	**38.0%**
CLOSING BALANCE	**9,179**	**10,467**	**11,334**	**2,155**	**23.5%**	**867**	**8.3%**

1. Includes the Essential Plan

Receipts

Through September 2018, PIT collections were lower than forecasted due to timing-related refund payments, partly offset by stronger than expected withholding and tax year 2018 current estimated payments. Consumption/Use Tax receipt collections exceeded both forecasts due to higher sales tax receipts base growth. Compared to the revised estimate, lower than projected business tax receipts were driven by timing of insurance tax payments.

Miscellaneous Receipts exceeded the initial estimates mainly due to the receipt of unplanned Extraordinary Monetary Settlements ($335 million). Compared to the revised estimates, which included unplanned Extraordinary Monetary Settlements, miscellaneous receipts were $78 million lower, driven by lower bond proceeds reimbursements associated with transportation.

Federal grant receipts were higher than both initial and revised estimates ($2.4 billion and $2.2 billion, respectively), driven by Federal operating aid disbursements, as well as timing of reimbursements for program costs initially financed by the State and later reimbursed with Federal funding.

Spending

Total State Operating Funds spending was $334 million (0.7 percent) lower than initial estimates and $170 million (0.4 percent) higher than revised estimates. The following discussion of the variances is focused on the comparison to initial estimates.

Higher local assistance spending ($121 million) is driven mainly by the following large variances:

- Medicaid ($762 million higher) includes increased claims for monthly managed care and managed long-term care attributable to timing-related rate package changes ($506 million); lower than anticipated rebates ($106 million); and earlier than expected payments for various programs, including local government share of FMAP savings payments ($90 million), Voluntary Upper Payment Limit (UPL) ($79 million), and Supplemental Medical Insurance ($26 million).
- Social Services spending ($267 million lower) was slower than expected for Child Welfare Services, Day Care, and Foster Care Block Grant.
- School Aid ($69 million lower) underspending in Excess Cost Aid set-asides for students with disabilities ($125 million) is partially offset by higher spending for the State Share Medicaid ($24 million) related to an increase in the Medicaid reimbursement rate for the School Supportive Health Services program, Universal Prekindergarten (UPK) ($22 million), and various other claims-based programs ($14 million).
- Mental Hygiene ($70 million lower) spending is lower due primarily to the timing of agency payment activity.

- Higher Education ($54 million higher) includes higher spending on TAP ($105 million), partially offset by year-to-date underspending on Scholarships ($46 million).
- All Other local assistance spending ($269 million lower) includes lower education spending ($229 million), largely related to timing of preschool special education payments and Public Health ($76 million) due to lower than projected spending across many programs, including Diagnostic and Treatment Centers, Bad Debt and Charity, Early Intervention (EI), Family Planning, Elderly Pharmaceutical Insurance Coverage (EPIC), and Physician Medical Malpractice.

Agency Operations spending was $232 million lower than planned. Lower spending for Executive agencies and University Systems was partially offset by increased Judiciary spending related to retro-active salary increases. Lower than projected Executive agency spending was primarily attributable to Medicaid Administration costs and Department of Corrections and Community Supervision (DOCCS).

GSCs were $190 million lower than initial estimates, primarily due to timing of reimbursements for operations supported by Federal and capital funding.

Capital spending was $1.3 billion below initial projections, mainly due to lower than anticipated spending on Economic Development ($436 million) related to the Regional Economic Development Council's delayed implementation, and slower than anticipated spending for Long Island Transformation projects, Wadsworth Laboratory, and the High-Tech Innovative Initiative. Additional underspending occurred in Transportation ($335 million), attributable to slower than projected spending for Hunts-Point/Bruckner, Legislative Acceleration projects, and JFK Access projects; Health and Social Welfare ($195 million), primarily due to the delayed implementation of programs; Lower/Higher Education ($194 million) related to Smart Schools Bond Act claims and SUNY/CUNY underspending; and Parks and Environment ($81 million) related to Department of Environmental Conservation (DEC).

General Funds Results – Compared to Prior Plan

The General Fund closing balance at the end of September 2018 was $6.5 billion ($533 million above the initial estimate and $220 million lower than the revised estimate).

Tax receipts were stronger than expected for withholding and tax year 2018 current estimated payments. However, timing-related refund payments more than offset the positive variance through September 2018.

Higher local assistance spending was mainly due to Medicaid, partly offset by lower spending for Child Welfare Services and lower spending on education. Operational spending and transfers fell below estimates. Nearly all variances are timing-related and expected to resolve in future months.

The State ended September 2018 with a balance of $4.5 billion in monetary settlement funds held in the General Fund. The higher than planned balance includes receipt of unplanned settlement moneys reflected in the First Quarterly Update to the Financial Plan and slower than expected uses of the moneys.

The table below summarizes the variances from the initial and revised estimates, including monetary settlements.

GENERAL FUND OPERATING RESULTS
APRIL 2018 THROUGH SEPTEMBER 2018
(millions of dollars)

				Above/(Below) Variance			
				Initial Plan		Updated Plan	
	Initial Plan	Updated Plan	Results	$	%	$	%
OPENING BALANCE	**9,445**	**9,445**	**9,445**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**35,714**	**36,111**	**35,899**	**185**	**0.5%**	**(212)**	**-0.6%**
Taxes:	34,066	34,156	33,985	(81)	-0.2%	(171)	-0.5%
Personal Income Tax[1]	23,523	23,527	23,458	(65)	-0.3%	(69)	-0.3%
Consumption / Use Taxes[1]	6,971	7,019	7,017	46	0.7%	(2)	0.0%
Business Taxes	2,514	2,587	2,490	(24)	-1.0%	(97)	-3.7%
Other Taxes[1]	1,058	1,023	1,020	(38)	-3.6%	(3)	-0.3%
Receipts and Grants	919	1,319	1,297	378	41.1%	(22)	-1.7%
Transfers From Other Funds	729	636	617	(112)	-15.4%	(19)	-3.0%
Total Spending	**39,241**	**38,885**	**38,893**	**(348)**	**-0.9%**	**8**	**0.0%**
Local Assistance	24,130	23,847	24,281	151	0.6%	434	1.8%
Agency Operations (including GSCs)	10,590	10,397	10,252	(338)	-3.2%	(145)	-1.4%
Transfers to Other Funds	4,521	4,641	4,360	(161)	-3.6%	(281)	-6.1%
Debt Service Transfer	336	332	310	(26)	-7.7%	(22)	-6.6%
Capital Projects Transfer	2,906	2,980	2,749	(157)	-5.4%	(231)	-7.8%
SUNY Operations Transfer	842	836	838	(4)	-0.5%	2	0.2%
All Other Transfers	437	493	463	26	5.9%	(30)	-6.1%
Change in Operations	**(3,527)**	**(2,774)**	**(2,994)**	**533**	**15.1%**	**(220)**	**-7.9%**
CLOSING BALANCE	**5,918**	**6,671**	**6,451**	**533**	**9.0%**	**(220)**	**-3.3%**

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

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Other Matters Affecting the Financial Plan

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General

The Updated Financial Plan is subject to complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Updated Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. For instance, actual receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, certain projections contained in the Updated Financial Plan are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2020, FY 2021, and FY 2022, and that all savings that result from the 2 percent spending growth benchmark will be made available to the General Fund.

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

The Updated 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 the impacts of: national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, oil and gas supplies and oil and gas prices; major terrorist events and hostilities or war; climate change and extreme weather 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; tech industry developments and employment; the effect of household debt on consumer spending and State tax collections; and the outcomes of litigation and other claims affecting the State.

The Updated Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid projected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to issue securities successfully in the public credit markets. Some of these issues are described in more detail herein.

The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; use of non-recurring 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 action of the Governor.

The Updated Financial Plan projections for FYs 2020 to 2022 assume that School Aid and Medicaid disbursements will be limited to the annual growth in State personal income and the ten-year rolling average growth of the medical component of the consumer price index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending increases above the personal income growth index. In SY 2019, the Updated Financial Plan reflects a 3.6 percent School Aid increase, compared to 1.5 percent growth in the personal income growth index. In SY 2020, the Updated Financial Plan reflects a School Aid increase of 3.6 percent. However, recently updated personal income growth data results in a 6.1 percent growth in the personal income growth index.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Updated Financial Plan. Over the past six years, DOH State Funds Medicaid spending levels have remained at or below indexed levels without requiring the Commissioner to exercise this authority. However, Medicaid program spending is sensitive to several factors including fluctuations in economic conditions, which may increase caseload, and changes in Federal aid, which could affect State health care spending. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Global Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and, therefore, General Fund spending remains sensitive to revenue performance in the State's HCRA fund. The HCRA fund finances approximately one-quarter of the State's share of Medicaid costs.

The Updated Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain revenue sharing payments under the Tribal-State compact, including payments from the Seneca Nation[12]; receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Updated Financial Plan in current or future years, or both.

The Updated Financial Plan also includes actions that affect the spending reported in the State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program to a tax credit for consistency with the reporting of other State tax credits. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Updated Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with a particular 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 (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be sufficient to address risks that may materialize in a given fiscal year.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Trump Administration and the current Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision as a result of changes in Federal policy. Actions by the Federal government, including the TCJA, pose a heightened risk to State finances. Enactment of Federal tax law changes is currently projected to add $1.9 trillion to the Federal deficit over the next ten years,[13] increasing the likelihood that Congress will seek material cuts in Federal aid programs or impose new barriers to the receipt of Federal aid by families and individuals.

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[12] The Seneca Nation has withheld payments to the State that were expected in FY 2018 and FY 2019 (between April 1, 2017 and September 30, 2018). The State and Seneca Nation are currently in arbitration. The Updated Financial Plan assumes successful resolution by the end of FY 2019.

[13] Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028", April 2018.

In addition, the Updated 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 Updated 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 and 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.

Given this uncertainty, the FY 2019 Enacted Budget included legislation to continue authorization for a process by which the State could manage any potentially significant reductions in Federal aid during FYs 2019 and 2020. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature if Federal policymakers (i) reduce Federal financial participation (FFP) in Medicaid funding to New York State or its subdivisions by $850 million or more; or (ii) reduce Federal financial participation or other Federal aid funding to New York State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately, and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both the Senate and Assembly. Otherwise, the plan submitted by the Budget Director takes effect automatically.

Current Federal Aid

President Trump has proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019. The proposed cuts for FFY 2018 were largely rejected by the Consolidated Appropriations Act of 2018, which was enacted in March 2018. Portions of the FFY 2019 budget are still under consideration by Congress. If the proposed cuts are adopted, it could reduce Federal aid to the State by billions of dollars.

The Budget Control Act (BCA) of 2011, which temporarily raised the debt limit, established discretionary spending caps on the Federal government through FFY 2021, and under certain conditions institutes automatic spending cuts for certain Federal funds on which the State relies. Discretionary Federal funding to the State could be reduced if these caps are not adjusted, suspended or eliminated. On February 9, 2018, the Federal government enacted legislation increasing the spending caps for FFYs 2018 and 2019, lessening the potential for significant spending cuts in discretionary domestic programs through FFY 2019.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the 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 came into effect with the start of FFY 2018, beginning October 1, 2017, but have since been delayed to FFY 2020 (beginning October 1, 2019) by Federal legislation enacted on February 9, 2018. The legislation also accelerates full implementation of the DSH cuts to begin in FFY 2021, in contrast to the previous multi-year phase-in.

DOB estimates that if the changes do take effect as scheduled, New York will see the largest reduction among all states, costing the State billions of dollars in lost Federal DSH payments when fully phased in. DOB continues to monitor Federal Medicaid DSH payment policies.

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program (EP in New York State), the ACA's Medicaid expansion, and to shift a larger share of growth in Medicaid costs to states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If these bills had been enacted into law, these policies would have had a substantial adverse financial impact on the State.

Additionally, the Trump Administration withheld Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients purchasing Qualified Health Plan (QHP) or EP coverage through New York State of Health (NYSOH), New York's official health plan marketplace. However, recent actions by the Trump Administration, in response to litigation brought by the State, will allow the State to recoup some of the withheld EP funding through changes to the reimbursement methodology. The Updated Financial Plan continues to reflect support for the EP program.

While Federal funding for the Children's Health Insurance Program (CHIP) has been reauthorized through FFY 2027, other Federal changes could potentially affect the State's health care policies. DOB continues to monitor Federal health care policy.

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

The Excise Tax on High-Cost Employer Sponsored Health Coverage (26 USC 4980I) is a 40 percent excise tax assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The provision was initially included in the ACA to offset mandatory spending increases but has since been altered by intervening laws that delay the implementation of the tax until 2022.

Regulations from the IRS have yet to be published. DOB has no current estimate as to the potential financial impact to the State from this Federal excise tax.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

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

Federal Debt Limit

On February 9, 2018, the Federal government enacted legislation suspending the Federal debt limit through March 1, 2019, forestalling the possibility of a default by the Federal government until at least that time. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and the State economies, financial markets, and intergovernmental aid payments. The specific effects on the Updated Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

Current Labor Negotiations and Agreements (Current Contract Period)

The State has multi-year labor agreements in place with the majority of its unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Local 1359 Rent Regulation Service Employees) have a five-year labor contract that provides 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.

On September 4, 2018, the United University Professions (UUP) ratified a six-year collective bargaining agreement that covers academic years 2017 through 2022. The agreement provides for a 2 percent general salary increase in each year of the contract and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The cost of the agreement (approximately $225 million in FY 2019) has been included in the Updated Financial Plan and is primarily funded by SUNY with the exception of the related fringe benefit costs, which are paid by the State.

On October 10, 2018, the Police Benevolent Association of the New York State Troopers (NYSTPBA) ratified a five-year collective bargaining agreement for FY 2019 through FY 2023. The agreement provides for a 2 percent annual general salary increase in each year of the contract and additional compensation changes, which are partly offset by changes to health insurance benefit design within NYSHIP, similar to UUP and CSEA. The cost of this agreement is expected to be offset by agency management plan savings, consistent with past practice.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. Salary increases provided to PEF and GSEU employees have also been extended to Management/Confidential (M/C) employees.

The State is in negotiations with all other employee unions whose contracts concluded in previous fiscal years, including the New York State Police Investigators Association (NYSPIA), Council 82, and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative collective bargaining agreement on a five-year labor contract through FY 2021.[14] Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached agreements 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 2019 for Court Officers Benevolent Association of Nassau County (COBANC); FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association; and FY 2017 to FY 2019 for seven other unions.

[14] The five-year collective bargaining agreement with NYSCOPBA that was not ratified would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs.

The contract periods for State employee union contracts are illustrated below.

UNION LABOR CONTRACTS										
	All Funds FTEs 3/31/18	Contract Period	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
CSEA	52,560	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD
PEF	47,359	FY 2017 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD
UUP	28,447	AY 2017 - AY 2022	2%	2%	2%	2%	2%	2%	2%	2%
NYSCOPBA	21,177	FY 2010 - FY 2016	2%	2%	TBD	TBD	TBD	TBD	TBD	TBD
CUNY	13,515	FY 2011 - FY 2018	2.5%	2%	2%	1.5%	TBD	TBD	TBD	TBD
NYSPBA	3,725	FY 2019 - FY 2023	2%	2%	2%	2%	2%	2%	2%	2%
NYSPIA	1,124	FY 2012 - FY 2018	2%	2%	1.5%	1.5%	TBD	TBD	TBD	TBD
PBANYS	1,223	FY 2006 - FY 2015	2%	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Council 82	541	FY 2010 - FY 2016	2%	2%	TBD	TBD	TBD	TBD	TBD	TBD
DC-37	292	FY 2017 - FY 2021	2%	2%	2%	2%	2%	2%	2%	TBD
GSEU	21	FY 2017 - FY 2019	2%	2%	2%	2%	2%	TBD	TBD	TBD

Pension Contributions[15]

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

During FY 2016, the NYSLRS 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 6.0 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, to be reflected in FY 2020 contribution rates.

FY 2019 Projections

The State's FY 2019 ERS/PFRS pension liability estimate of $2.2 billion is based on the most recent bill prepared by OSC as of October 2018. The estimate includes payment of $432 million towards

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

[16] The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both 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).

the balance outstanding on prior-year deferrals (i.e., amortizations) and additional interest savings from paying the majority of the pension bill in April 2018. The State's FY 2019 ERS/PFRS pension estimate was revised downward based on actual FY 2018 salary base (used to calculate the FY 2019 bill), which was lower than previously projected.

FY 2020 Projections

The preliminary FY 2020 ERS/PFRS pension liability estimate of $2.3 billion is impacted by FY 2018 investment returns of 11.4 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 14.9 percent to 14.6 percent of payroll, while the average contribution rate for PFRS will remain stable at 23.5 percent of payroll.[17]

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 (i) were honorably discharged, (ii) have achieved five years of credited service in a public retirement system, and (iii) have agreed to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g., FY 2017 costs will first be 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 newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to this amortization. The ERS cost to the State (including the costs covered for local ERS) was $52 million in FY 2018 based on actual credit purchased through December 31, 2017. DOB currently estimates ERS costs of $30 million in FY 2019 and $30 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as additional veterans become eligible to purchase the credit.

Outyear Projections

Pension liability estimates for FY 2021 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases and that investment returns will be below the actuarially assumed 7 percent rate of return in the near-to-mid-term.

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

Pension Amortization[18]

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 re-calculated 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 rate[19]) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a formula enacted in the 2010 legislation 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.

The State has not amortized its pension costs (including the Office of Court Administration (OCA)) since FY 2016.

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

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

[19] 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.

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

	Statewide Pension Payments[1]					Rates for Determining (Amortization Amount) / Excess Contributions			
Fiscal Year	Normal Costs[2]	(Amortization Amount) / Excess Contributions	Repayment of Amortization	Total Statewide Pension Payments	Interest Rate on Amortization Amount (%)[3]	System Average Normal Rate[4]		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.0	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.8	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.0	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.7	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.2	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.2	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.3	15.1	24.3	15.1	23.5
2018	1,786.6	0.0	432.1	2,218.7	2.8	14.9	24.3	14.9	24.3
2019 Est.	1,774.8	0.0	432.1	2,206.9	3.6	14.4	23.5	14.4	23.5
2020 Est.	1,838.3	0.0	432.1	2,270.4	TBD	14.2	23.5	14.2	23.5
Projected by DOB[5]									
2021	1,922.7	0.0	432.1	2,354.8	TBD	15.3	24.5	15.2	24.5
2022	2,157.9	0.0	399.8	2,557.7	TBD	16.2	25.5	16.2	25.5
2023	2,477.5	0.0	331.3	2,808.8	TBD	17.2	26.5	17.2	26.5
2024	1,860.6	0.0	240.1	2,100.7	TBD	16.2	25.5	16.2	25.5
2025	1,876.0	0.0	126.4	2,002.4	TBD	15.2	24.5	15.2	24.5
2026	1,891.3	0.0	42.2	1,933.5	TBD	14.2	23.5	14.2	23.5

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, administrative costs, costs of new legislation in some cases, and prior-year adjustments. "(Amortization Amount) / 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, inclusive of 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.

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 at least ten 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 Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2018, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year, and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2018, the unfunded actuarial accrued liability for FY 2018 is $90.5 billion ($72.8 billion for the State and $17.7 billion for SUNY), an increase of $3.3 billion from FY 2017 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2018 used an actuarial valuation of OPEB liabilities as of April 1, 2016. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. A significant portion of the annual growth in the State's unfunded actuarial accrued liability is due to the reduction of the discount rate from 3.155 to 2.637 percent, calculated as the average STIP rate for the past 20 years at the time of valuation. The decline in the discount rate increases the present value of the projected benefit obligation.

The actuarially determined annual OPEB cost for FY 2018 totaled $5.5 billion ($4.3 billion for the State and $1.2 billion for SUNY), an increase of 1.3 billion from FY 2017 ($1 billion for the State and $264 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level percentage of earnings basis. The actuarially determined cost was $3.6 billion ($2.7 billion for the State and $878 million for SUNY) greater than the PAYGO required cash payments for retiree costs made by the State in FY 2018. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net position at the end of FY 2018 by $3.6 billion.

GASB has no authority to require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the Updated Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis, meaning the State pays these costs as they become due.

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

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") 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 Updated Financial Plan does not include any deposits to the Trust Fund.

The provisions of GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, is expected to be incorporated into the State's FY 2019 Basic Financial Statements. The FY 2019 Basic Financial Statements are expected to be issued in July 2019. The GASB Statements, as amended by GASB Statement 75, alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the unfunded net OPEB obligation to be reported by the State in its Statement of Net Position. Reporting the unfunded OPEB liability on the Statement of Net Position, rather than as a note to the Basic Financial Statements, is expected to significantly increase the State's total long-term liabilities and show the State in a negative net position.

GASB Statement 75 is not expected to alter the Updated 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 individual description but, in the aggregate, could still adversely affect the Updated Financial Plan. For more information, see the "Litigation" section later in this AIS Update.

Climate Change Adaptation

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

On October 8, 2018, the United Nations' Intergovernmental Panel on Climate Change (IPCC) released a special report on the impacts of global warming. The report 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, which may be issued with a term of 30 years or more under State statute.

Participants in financial markets are 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.[20] 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 the effect on coastal infrastructure as the primary climate risks for the northeastern United States, including New York State. These risks are heightened by population concentration in coastal counties.

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 to various State counties. In September 2011, Tropical Storm Lee caused flooding in additional State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms present economic and financial risks to the State. Reimbursement claims for costs of the immediate response, 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. It is anticipated that the State, MTA, and State localities may receive approximately one-half of this amount for response, recovery, and mitigation costs. To date, a total of $17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across the State. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities over the coming years.

[20] 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.

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[21], 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, 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 cyber attacks. Banks, insurance companies and other covered entities regulated by 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 Chief Information Security Officer 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 of which notice is required to any government body, self-regulatory agency, or supervisory body.

[21] Statewide cybersecurity policies can be found at: https://its.ny.gov/eiso/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 financial 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 provide assistance to 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.

Bond Market

Successful Implementation of the Updated 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 the 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 in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. The success of projected public sales will be subject to prevailing market conditions 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 impacts 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 Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued 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 (FY 2018).

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

For FY 2018, the cumulative debt outstanding and debt service caps are 4 and 5 percent, respectively. As shown in the following tables, actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2018, the State has issued new debt resulting in $44.7 billion of debt outstanding applicable to the debt reform cap. This is about $6.5 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $4.5 billion in FY 2018, or roughly $3.8 billion below the statutory debt service limitation.

DEBT OUTSTANDING CAP
(millions of dollars)

	Dollar	Percent
Personal Income (CY 2017)[1]	1,281,082	
Max. Allowable Debt Outstanding	51,243	4.00%
Debt Outstanding Subject to Cap	44,744	3.49%
Remaining Capacity	6,499	0.51%

[1] Bureau of Economic Analysis (BEA).

DEBT SERVICE CAP
(millions of dollars)

	Dollar	Percent
All Funds Receipts (FY 2018)	165,470	
Max. Allowable Debt Service	8,274	5.00%
Debt Service Subject to Cap	4,472	2.70%
Remaining Capacity	3,802	2.30%

The State uses personal income estimates published by the Federal government 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. From January to October 2018, the State experienced volatility in FY 2018 debt capacity because of changes in Federal personal income estimates. The BEA increased its calendar year 2017 personal income estimate by $70 billion from March to October 2018, resulting in a $2.8 billion increase in debt outstanding capacity. Notably, this material fluctuation in statutory debt capacity occurred between the end of FY 2018, when debt outstanding is measured, and the final compliance determination in October 2018. While, in this instance, the State benefitted from the significant increase in the New York State personal income tax estimate, this volatility could have compromised the State's ability to manage within its statutory debt cap had the personal income estimate been unexpectedly revised downward by a similar amount. Absent such swings in personal income estimates, the State traditionally has relied on adjustments to capital spending priorities and debt financing practices to preserve available debt capacity and stay within the statutory limits.

Such volatility in New York State personal income estimates has prompted DOB to reexamine the manner in which 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 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 net residency adjustment reported by BEA decreased the measure of 2017 State personal income by $73 billion at the time of the FY 2018 debt outstanding calculation. 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 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.

Current projections, inclusive of the BEA residency adjustment, anticipate that debt outstanding and debt service will continue to remain below limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the availability under the debt outstanding cap is expected to decline from $6.5 billion in FY 2018 to about $2.1 billion in FY 2023. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth in State personal income. Debt outstanding and debt service caps also continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue Bond credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps because these bonds do not meet the definition of "State-supported debt" as set forth in the Debt Reform Act. The bonds are backed solely with dormitory rental revenue. As previously mentioned, 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 (millions of dollars)

Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity
FY 2018	$1,281,082	4.00%	51,243	44,744	6,499	3.49%	0.51%
FY 2019	$1,342,794	4.00%	53,712	47,918	5,794	3.57%	0.43%
FY 2020	$1,402,865	4.00%	56,115	51,939	4,175	3.70%	0.30%
FY 2021	$1,464,797	4.00%	58,592	55,154	3,438	3.77%	0.23%
FY 2022	$1,528,675	4.00%	61,147	58,269	2,878	3.81%	0.19%
FY 2023	$1,595,090	4.00%	63,804	61,737	2,066	3.87%	0.13%

TOTAL STATE-SUPPORTED DEBT (millions of dollars)

Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
6,522	51,266
5,645	53,562
4,909	56,849
3,428	58,582
2,812	61,081
2,210	63,948

DEBT SERVICE SUBJECT TO CAP (millions of dollars)

Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity
FY 2018	$165,470	5.00%	8,274	4,472	3,802	2.70%	2.30%
FY 2019	$168,611	5.00%	8,431	4,801	3,630	2.85%	2.15%
FY 2020	$172,608	5.00%	8,630	5,206	3,424	3.02%	1.98%
FY 2021	$174,709	5.00%	8,735	5,638	3,097	3.23%	1.77%
FY 2022	$180,351	5.00%	9,018	6,000	3,018	3.33%	1.67%
FY 2023	$183,808	5.00%	9,190	6,489	2,701	3.53%	1.47%

TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)

Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
1,386	5,858
718	5,520
1,414	6,620
1,483	7,121
1,097	7,097
862	7,352

The State's available debt capacity under its statutory debt cap reflects the impact of several factors since the First Quarterly Update to the Financial Plan. These include a significant increase in the personal income forecast, actual bond sale results to date, and adjustment of debt issuances to align with projected bond-financed capital spending. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit within one year of their call dates. The impact on the debt cap is shown in the following chart.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY (millions of dollars)						
	FY 2018 Results	FY 2019 Mid-Year	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
First Quarterly Update Financial Plan	**3,872**	**1,751**	**507**	**49**	**93**	**117**
Personal Income Forecast Adjustment	2,627	3,025	3,114	3,222	3,338	3,452
Capital Reestimates	0	1,018	554	167	(553)	(1,503)
Mid-Year Update to the Financial Plan	**6,499**	**5,794**	**4,175**	**3,438**	**2,878**	**2,066**

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, 2018, there were approximately $193 million of bonds outstanding for 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 $99 million for debt service costs. DASNY also estimates that the State will pay debt service costs of approximately $26 million in FY 2019, $28 million annually in FY 2020 and FY 2021, $22 million in FY 2022, and $17 million in FY 2023. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, 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 $9 million annually, if all hospitals in the Program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY Downstate Hospital and Long Island College Hospital (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) NYU Hospitals Center, 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 next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing), is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. The physical demolition has been completed, and final review of the environmental paperwork is nearing completion.

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

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 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 Projections
Fiscal Years 2019 Through 2022

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Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2019 through FY 2022, with an emphasis on the FY 2019 projections, which reflect the impact of the Updated 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 of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking tax receipts for specific purposes.

- Disbursements: Roughly 30 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, 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 Updated Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2019 budget, FY 2020, is the most relevant from a planning perspective.

Summary

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

The projections for FY 2020 and thereafter set forth in the Updated Financial Plan reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Updated Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark." The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2020, FY 2021, and/or FY 2022, the projected operating position could decline.

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

General Fund Projections

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes (After Debt Service)	67,370	67,486	71,424	73,051	75,959
Miscellaneous Receipts/Federal Grants	3,129	2,474	2,028	2,001	1,883
Other Transfers	921	2,835	2,459	2,091	1,762
Total Receipts	**71,420**	**72,795**	**75,911**	**77,143**	**79,604**
DISBURSEMENTS					
Local Assistance	46,072	51,013	53,851	57,147	59,320
School Aid	22,015	23,143	24,090	25,194	26,453
Medicaid/EP	13,397	14,313	15,734	16,780	17,659
All Other	10,660	13,557	14,027	15,173	15,208
State Operations	8,228	11,850	12,080	12,617	12,599
Personal Service	6,136	8,812	9,001	9,506	9,437
Non-Personal Service	2,092	3,038	3,079	3,111	3,162
General State Charges	5,572	7,392	7,781	8,319	8,889
Transfers to Other Funds	9,852	5,529	6,336	6,237	6,232
Debt Service	1,047	775	823	904	747
Capital Projects	2,191	2,635	3,425	3,171	3,182
State Share of Mental Hygiene Medicaid[1]	1,333	0	0	0	0
SUNY Operations	1,015	1,020	1,008	1,004	1,004
All Other	4,266	1,099	1,080	1,158	1,299
Total Disbursements	**69,724**	**75,784**	**80,048**	**84,320**	**87,040**
Use (Reservation) of Fund Balance:	**(1,696)**	**2,989**	**1,067**	**748**	**885**
Community Projects	10	13	26	7	0
Labor Agreements	(130)	0	0	0	0
Undesignated Fund Balance	(1,891)	1,905	0	0	0
Extraordinary Monetary Settlements[2]	315	1,071	1,041	741	885
BUDGET SURPLUS/(GAP) PROJECTIONS[3]	**0**	**0**	**(3,070)**	**(6,429)**	**(6,551)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,668**	**5,431**	**6,235**
BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(402)**	**(998)**	**(316)**

[1] The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.

[2] 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.

[3] Before actions to adhere to the 2 percent spending growth benchmark.

[4] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes	77,953	76,528	81,350	83,397	86,679
Miscellaneous Receipts/Federal Grants	21,408	20,625	19,830	19,218	19,270
Total Receipts	**99,361**	**97,153**	**101,180**	**102,615**	**105,949**
DISBURSEMENTS					
Local Assistance	65,604	66,700	69,542	72,666	75,073
School Aid (School Year Basis)	25,639	26,553	27,509	28,692	29,983
DOH Medicaid[1]	19,143	20,396	21,655	22,700	23,560
Transportation	5,025	3,936	3,617	3,664	3,795
STAR	2,589	2,459	2,417	2,402	2,402
Higher Education	2,833	3,057	3,175	3,233	3,275
Social Services	2,837	2,971	3,030	3,051	3,090
Mental Hygiene	2,350	2,181	2,609	3,127	3,117
All Other[2]	5,188	5,147	5,530	5,797	5,851
State Operations	18,821	19,505	19,830	20,429	20,367
Personal Service	13,170	13,716	13,990	14,547	14,393
Non-Personal Service	5,651	5,789	5,840	5,882	5,974
General State Charges	7,853	8,410	8,814	9,396	9,963
Pension Contribution	2,442	2,417	2,518	2,628	2,822
Health Insurance	3,963	4,205	4,361	4,708	5,058
All Other	1,448	1,788	1,935	2,060	2,083
Debt Service	5,873	5,520	6,620	7,121	7,097
Capital Projects	0	0	0	0	0
Total Disbursements [3]	**98,151**	**100,135**	**104,806**	**109,612**	**112,500**
Net Other Financing Sources/(Uses)	772	378	(455)	(236)	(381)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(1,982)	2,604	1,011	804	381
General Fund	(1,696)	2,989	1,067	748	885
Special Revenue Funds	(277)	(366)	(28)	86	(432)
Debt Service Funds	(9)	(19)	(28)	(30)	(72)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(3,070)**	**(6,429)**	**(6,551)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,668**	**5,431**	**6,235**
BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(402)**	**(998)**	**(316)**

[1] Total State share Medicaid funding includes the utilization of tobacco MSA payments which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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

[3] Before actions to adhere to the 2 percent spending growth benchmark.

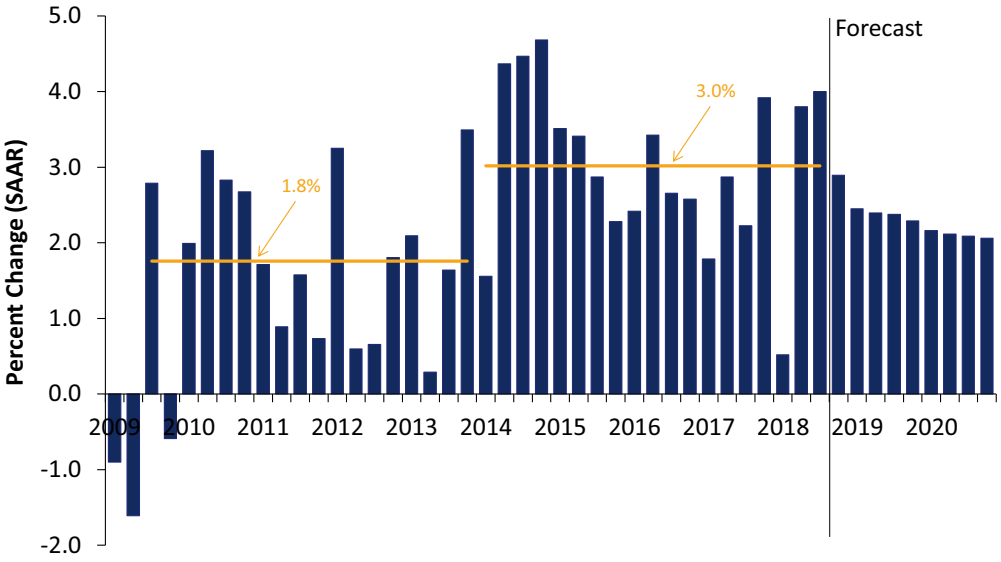
[4] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, a budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Economic Backdrop

The U.S. Economy

The national economy grew 3.5 percent in the third quarter of calendar year 2018, following 4.2 percent growth in the second quarter of calendar year 2018. The third quarter was propelled primarily by stronger than expected household spending growth of 4.0 percent and a large swing in the change in private inventories from a decline of $36.8 billion in the second quarter to a $76.3 billion increase in the third quarter. That swing likely reflects some "stocking up" on the part of businesses seeking to avoid or minimize the impact of tariffs on their input costs. However, the most recent data indicate that global economic growth is slowing and rising interest rates are having an adverse impact on domestic growth. Thus, as the impact of the Federal tax cuts fades, interest rates rise, and global growth slows, DOB projects that the U.S. economy will decelerate in the fourth quarter of 2018 and slow even further in 2019. U.S. real GDP growth is estimated to fall from 2.9 percent in 2018 to 2.7 percent in 2019. Although the overall outlook represents an upward revision from the Enacted Budget Financial Plan forecast, the risks have heightened significantly going forward.

Real Household Spending Growth Has Improved with the Labor Market and More Recently with Tax Cuts



Source: Moody's Analytics, DOB staff estimates.

The strong labor market, coupled with moderate growth in wages, continues to support solid growth in household spending. As illustrated in the figure above, average quarterly real consumption growth has accelerated from 1.8 percent during the first half of the expansion to 3.0 percent during the more recent period starting in the first quarter of calendar year 2014. Household spending has been further buoyed in 2018 by the tax reductions embodied in the Federal TCJA. However, the impact of the tax cuts is expected to taper gradually starting in the first quarter of 2019. After growing 2.5 percent in 2017, real household spending growth has been revised up to 2.7 percent for both 2018 and 2019 on an annual average basis, but is expected to fall to 2.2 percent by 2020. One factor offsetting the positive impact of a lower tax bite on consumer spending has been a moribund housing market. Although long-term mortgage rates remain low from a historical perspective, their recent rise appears to be having a negative impact on the demand for new homes. DOB now estimates real growth in residential fixed investment of 0.4 percent for 2018 and 1.7 percent for 2019, representing a downward revision from the Enacted Budget Financial Plan forecast.

The private sector labor market added 206,000 jobs per month during the first 10 months of 2018, well above the average monthly gain of 179,000 during 2016 and 2017. Although weather events have likely contributed to recent labor market volatility, it is also likely that job gains will decelerate going forward as labor market slack continues to diminish. The conventional unemployment rate has averaged 3.9 percent over the first 10 months of 2018, fully half a percentage point below its pre-recession level. A broader measure of the unemployment rate that includes workers who are marginally attached to the labor force has also fallen below its pre-recession level, while the percentage of the workforce working part-time, a measure of underemployment, is inching closer to where it was before the Great Recession. Moreover, evidence of labor shortages continues to emerge in a number of sectors requiring special skills, such as construction and manufacturing. Total nonagricultural employment growth of 1.6 percent is projected for 2018, modestly above the Enacted Budget Financial Plan forecast, followed by 1.4 percent growth in 2019.

Business investment growth substantially improved during the first half of 2018, driven mainly by increasing global demand for U.S. exports, expanding energy sector production, and a lift from the TCJA. However, the most recent data suggest that the impact of all of these developments on investment growth may have peaked. Moreover, tariffs are winding their way through the supply chain, significantly raising input costs for some manufacturing firms. The most recent round of tariffs imposed by the US on another $200 billion of Chinese imports is likely to further slow domestic demand, and modestly boost inflation. With easing global growth and a strengthening dollar, net exports may become even more of a drag on national economic growth in 2019. Consequently, real export growth has been revised down to 4.3 percent for 2018 and down to 3.4 percent for 2019. Real business fixed investment growth of 6.9 percent is now estimated for 2018, which is stronger than the Enacted Budget Financial Plan forecast. But with provisions of the TCJA now thought likely to have pulled some spending forward into the first half of 2018, real business fixed investment growth has been revised down to 4.4 percent for 2019.

Inflation has picked up modestly. Rising energy prices have led to a 2.5 percent rise in consumer prices for the first 10 months of 2018, following 2.1 percent inflation for all of 2017. In the meantime, core CPI inflation, which excludes the volatile food and energy components, has also accelerated in 2018 from 1.8 percent in 2017 to 2.1 percent over the first 10 months of 2018. However, inflation remains moderate from a historical perspective and well within the Federal Reserve's target range. Moreover, domestic oil prices have fallen close to 20 percent, as evidence of slowing global growth is compounded by recent growth in supply and the uncertainty associated with a complicated geopolitical landscape is having on supply. Consumer price inflation of 2.5 percent is estimated for 2018 on annual average basis, falling to 2.3 percent for 2019. However, the uncertainty surrounding both future energy prices and the impact of present and future tariffs represent substantial risks to this forecast.

A tightening labor market also represents a risk to DOB's inflation forecast. Wage growth of 4.8 percent is projected for 2018, three-tenths of a percentage point higher than the Enacted Budget Financial Plan forecast. Overall personal income growth of 4.5 percent is estimated for 2018, three-tenths of a percentage point above the Enacted Budget Financial Plan estimate. In addition to stronger growth in pre-tax income, after-tax disposable income will continue to be supported by Federal income tax cuts before their simulative impact fades in 2019. With the national economy continuing to exhibit strength, the Federal Reserve has stayed on its interest rate normalization path, raising its federal funds rate target three times thus far this year. Although the Federal Reserve appears poised to raise rates again in December 2018, and possibly three more times in 2019, the risk of a policy error in this environment of relatively low wage and price inflation is becoming substantial.

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

	2017 (Actual)	2018 (Forecast)	2019 (Forecast)
Real U.S. Gross Domestic Product	2.2	2.9	2.7
Consumer Price Index (CPI)	2.1	2.5	2.3
Personal Income	4.4	4.5	4.4
Nonagricultural Employment	1.6	1.6	1.4

Source: Moody's Analytics; DOB staff estimates.

Despite rising short-term rates, long-term interest rates have failed to sustain a commensurate rise. As a result, the yield curve, which tracks the difference between long- and short-term rates, remains relatively flat. Since yield curve inversion, which occurs when short-term rates actually exceed long-term rates, often precedes a recession, a flattening curve can be a cause of concern. But even in the absence of inversion, a flat yield curve could put downward pressure on banking system profits, particularly now that the rates that banks pay their depositors are finally rising from their historically low levels, as banks are forced to compete with the rise in risk-free short-term Treasury yields. The Federal Reserve Bank of New York breaks down long-term treasury bond

yields into two components: (1) expectations for future risk-neutral short-term interest rates, which have been trending higher consistent with recent monetary policy moves, and (2) a term premium to compensate for the inflation risk associated with holding a multi-period instrument, which is currently near historic lows.[22] Indeed, low inflation expectations and central bank purchases of long-duration assets to promote the recovery from the Great Recession are the main forces that held term premia down. Term premia are expected to increase as the Federal Reserve shrinks its balance sheet and inflation expectations firm, but this rebalancing is occurring quite slowly. For example, the 10-year Treasury yield is now roughly where it was at the end of September 2018, when the Federal Reserve raised its federal funds rate target by a full 25 basis points. This sluggishness is due in large part to the safe haven status of US Treasury securities and is therefore likely to persist, particularly as the global economy decelerates. DOB expects the 10-year Treasury yield to continue to rise only gradually, approaching 4 percent by the end of 2020.

Risks to the current economic outlook remain. Slower global growth than projected could result in lower demand for US exports, resulting in weaker growth in corporate profits, investment, and employment than reflected in this forecast. The disruption of trade flows due to the uncertainty surrounding tariffs could represent a significant setback for the manufacturing sector if firms delay production plans. In addition, if tariffs result in even higher input prices than anticipated, the current relatively benign inflation environment could deteriorate, possibly resulting in lower job and investment growth than reflected in this forecast. Higher inflation than anticipated could induce the Federal Reserve to tighten even faster than anticipated, which could result in slower household spending and residential construction growth. The risks associated with tariffs, rising interest rates, and the impact of slower global growth on corporate earnings have injected a large degree of volatility into equity markets in recent weeks. Lower and more volatile equity prices can result in lower household spending through both the wealth effect and as a signal that the road ahead is uncertain. This volatility could be further exacerbated by the risk surrounding the long-term impact of Federal tax reductions on budget deficits and the national debt.

On the positive side, if the impact of Federal tax reform on consumer spending and business investment is stronger than projected without significantly raising inflation, stronger growth in employment, wages, and the overall economy could result. Recent data indicate that year-over-year growth in the inventory of existing single-family homes has been tilting up since June 2018 after dropping for an unprecedented 36 straight months. If rising inventories result in slower home price growth, the resulting rise in home affordability could stimulate greater home sales than currently projected, which in turn could fuel stronger household spending than reflected in this forecast.

[22] Please see Tobias Adrian, Richard K. Crump, and Emanuel Moench (ACM), "Pricing the Term Structure with Linear Regressions," Federal Reserve Bank of New York Staff Reports, no. 340, August 2008; revised April 2013, https://www.newyorkfed.org/research/data_indicators/term_premia.html, viewed October 29, 2018.

The New York State Economy

New York State private sector job growth appears to be stabilizing at a historically healthy rate. The State's leading industrial sectors continue to be healthcare, management and administrative services, information, education, and construction. In contrast, the manufacturing, wholesale trade, and retail trade sectors continue to exhibit losses, while growth in the leisure and hospitality sector and the professional, scientific, and technical services sector is slowing. On balance, State private sector job growth remains strong, with growth of 1.5 percent estimated for 2018, representing an upward revision of 0.2 percent from the Enacted Budget Financial Plan forecast. Slower growth of 1.3 percent is projected for 2019 as national and global economic growth moderates, which represents an upward revision of 0.1 percent above the Enacted Budget Financial Plan forecast.

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

	FY 2017 (Actual)	FY 2018 (Estimated)	FY 2019 (Forecast)
Personal Income	4.2	5.8	4.5
Wages	3.9	4.7	3.8
Nonagricultural Employment	1.4	1.4	1.4

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

Finance and insurance sector bonuses are estimated to have grown 13.7 percent for the FY 2018 bonus season, the strongest growth in four years. This growth was associated with an impressive 2017 revenue performance for New York Stock Exchange member firms that was the strongest since 2006. However, FY 2018 Wall Street bonuses are also suspected to have been buttressed by one-time payments associated with the reduction in the corporate tax rate embodied in the TCJA. These payments are not expected to recur in FY 2019. Consequently, finance and insurance sector bonuses, which have been revised downward since the Enacted Budget Financial Plan forecast, are expected to fall 2.3 percent for FY 2019. Overall wage growth of 3.8 percent is estimated for FY 2019, following upwardly revised growth of 4.7 percent for FY 2018.

In September 2018, the U.S. BEA published a comprehensive revision to its state-level personal income estimates going back to 1947. The $68.5 billion revision in the NYS personal income estimate for the 2018 State fiscal year was an unusually large 2.2 percentage points, raising growth to 6.1 percent from the initial estimate of a 3.9 percent increase, as shown in the following table. The revision to BEA's estimate of New York State wages aligns BEA's estimate more closely to the source data, the Quarterly Census of Employment and Wages (QCEW).[23] Although over half of total State personal income is comprised of wages, the September 2018 revision to wages accounts for only 13 percent of the total personal income revision for FY 2018.

[23] The QCEW is the series used by DOB to forecast State wages and bonuses.

RECENT REVISIONS TO NEW YORK STATE BEA PERSONAL INCOME GROWTH
(Percent change from prior State fiscal year)

Fiscal Year	Initial Release (June)	Second Release (Sept.)	Difference from First Release	Current (Sept. 2018)	Difference from Second Release	Total Revision To-date
2010	-1.1	-0.5	0.6	0.9	1.4	2.0
2011	3.4	4.7	1.3	5.0	0.3	1.6
2012	3.5	3.0	-0.5	4.7	1.7	1.2
2013	3.3	3.1	-0.2	5.2	2.1	1.9
2014	2.6	1.7	-0.9	2.0	0.3	-0.6
2015	4.1	3.9	-0.2	4.0	0.1	-0.1
2016	4.4	3.9	-0.5	4.4	0.5	0.0
2017	2.5	1.5	-1.0	3.1	1.6	0.6
2018	3.9	6.1	2.2	6.1	-	2.2

Source: U.S. Bureau of Economic Analysis, Moody's Analytics.

The source data for two other large personal income components – property income and proprietors' income – includes state tax return data, though with a lag. Indeed, the September 2018 release only now incorporates data from 2016 tax returns. In addition, a large portion of property income, which combines interest, dividend, and rental income, is imputed by BEA. BEA cites a recent improvement in the measurement of the implicit services of savings institutions and credit unions, such as free checking, as a source of the September revision. Property income accounts for 30 percent of the total value of the FY 2018 revision. Finally, a significant contributor to the large upward revision to proprietors' income was the incorporation of results from the 2008-2010 IRS Tax Gap study. The IRS defines the tax gap as the amount of tax liability faced by taxpayers that is not paid on time and is thus a measure of tax compliance. Since the incorporation of the 2008-2010 study was the first since the incorporation of results from the 2006 study in 2012, the associated revision was substantial. Proprietors' income accounts for 47 percent of the total FY 2018 revision. Together, the revisions to these three income components comprise just under 90 percent of the total revision to FY 2018 New York personal income. However, as suggested by the data presented in the above table, FY 2018 personal income growth will look quite different by the next comprehensive revision, three to five years from now.

Although the State's private-sector labor market has stabilized at a healthy pace of growth, there are many risks to the forecast. All the risks to the U.S. forecast apply to the State forecast as well, although, as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. The uncertainty surrounding the macroeconomic outlook for the national and global economies is amplified in the financial markets, as demonstrated by the recent 10 percent decline in S&P 500 equity prices, from a market peak realized in September 2018. Risks related to the impact of tariffs, the strong dollar, and weakening global growth are likely to continue to create volatility and restrain equity market growth over the near-term. Due to the disproportionate global tilt of financial markets, the State's finance sector is particularly vulnerable to these risks. Financial markets also tend to amplify the perturbations associated with shifting monetary policy, as businesses and investors adjust to interest rates that are approaching their highest levels in ten years. Weaker and/or more volatile markets than anticipated could result in weaker bonus and wage growth, as well as lower realizations of taxable capital gains than reflected in this forecast. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than is reflected in this forecast.

Receipts

The Updated 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, as well as collection of a PMT on businesses in the MTA region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the DTF and other agencies which collect State receipts, and are predicated 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, non-wage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

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

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

The projections described below do not consider the impact that the ECEP or the State Charitable Gifts Trust Fund may have on PIT receipts.

Overview of the Receipts Forecast

All Funds receipts in FY 2019 are projected to total $168.6 billion, 1.9 percent above FY 2018 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
Personal Income Tax	51,501	50,410	-2.1%	53,952	7.0%	55,010	2.0%	57,456	4.4%
Consumption/Use Taxes	16,711	17,303	3.5%	17,839	3.1%	18,390	3.1%	18,962	3.1%
Business Taxes	7,164	7,981	11.4%	8,630	8.1%	8,966	3.9%	9,123	1.8%
Other Taxes	2,451	2,229	-9.1%	2,341	5.0%	2,440	4.2%	2,543	4.2%
Payroll Mobility Tax[1]	1,439	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	**79,266**	**77,923**	**-1.7%**	**82,762**	**6.2%**	**84,806**	**2.5%**	**88,084**	**3.9%**
Miscellaneous Receipts	27,262	28,178	3.4%	26,474	-6.0%	25,496	-3.7%	25,813	1.2%
Federal Receipts	58,942	62,510	6.1%	63,372	1.4%	64,407	1.6%	66,454	3.2%
Total All Funds Receipts	**165,470**	**168,611**	**1.9%**	**172,608**	**2.4%**	**174,709**	**1.2%**	**180,351**	**3.2%**

[1] The FY 2019 amount does not include MTA PMT because the Enacted Budget provided that the PMT be remitted to MTA without an appropriation beginning in FY 2019.

State tax receipts are projected to decrease 1.7 percent in FY 2019 from FY 2018 results, largely due to the PMT moving off budget. After accounting for this change, State tax receipt estimates remain flat compared to FY 2018 results. Refer to the PIT section herein for additional explanation of the atypical growth rate pattern for FY 2018 and FY 2019.

Consistent with the projected growth in the State economy over the multi-year Financial Plan period beyond FY 2019, all tax categories are projected to exhibit underlying annual growth in outyears.

After controlling for the impact of tax law changes, base tax revenue increased 6.5 percent in FY 2018, and is projected to decrease by 0.1 percent in FY 2019 and increase by 11.8 percent in FY 2020.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**51,501**	**50,410**	**-2.1%**	**53,952**	**7.0%**	**55,010**	**2.0%**	**57,456**	**4.4%**
Gross Collections	62,035	62,102	0.1%	65,502	5.5%	66,335	1.3%	69,807	5.2%
Refunds (Incl. State/City Offset)	(10,534)	(11,692)	-11.0%	(11,550)	1.2%	(11,325)	1.9%	(12,351)	-9.1%
GENERAL FUND[1]	**36,037**	**22,746**	**-36.9%**	**24,559**	**8.0%**	**25,103**	**2.2%**	**26,326**	**4.9%**
Gross Collections	62,035	62,102	0.1%	65,502	5.5%	66,335	1.3%	69,807	5.2%
Refunds (Incl. State/City Offset)	(10,534)	(11,692)	-11.0%	(11,550)	1.2%	(11,325)	1.9%	(12,351)	-9.1%
STAR	(2,589)	(2,459)	5.0%	(2,417)	1.7%	(2,402)	0.6%	(2,402)	0.0%
RBTF	(12,875)	(25,205)	-95.8%	(26,976)	-7.0%	(27,505)	-2.0%	(28,728)	-4.4%

[1]Excludes Transfers.

All Funds personal income tax receipts for FY 2019 are estimated to total $50.4 billion, a decrease of $1.1 billion (2.1 percent) from FY 2018 results. This decrease is primarily driven by a decline in estimated payments related to the 2018 tax year coupled with an increase in total refunds. This decline is partially offset by growth in withholding and final returns.

The following table summarizes, by component, actual receipts for FY 2018 and forecast amounts through FY 2022.

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

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts					
Withholding	40,269	41,782	43,033	44,024	46,144
Estimated Payments	17,781	16,221	18,157	17,802	18,960
Current Year	14,329	12,729	13,741	12,582	13,536
Prior Year[1]	3,452	3,492	4,416	5,220	5,424
Final Returns	2,478	2,599	2,748	2,908	3,032
Current Year	308	286	301	316	331
Prior Year[1]	2,170	2,313	2,447	2,592	2,701
Delinquent	1,507	1,500	1,564	1,601	1,671
Gross Receipts	62,035	62,102	65,502	66,335	69,807
Refunds					
Prior Year[1]	6,292	6,699	6,739	7,689	8,565
Previous Years	527	523	553	583	614
Current Year[1]	2,249	2,250	1,750	1,750	1,750
Advanced Credit Payment	610	1,247	1,709	479	573
State/City Offset[1]	856	973	799	824	849
Total Refunds	10,534	11,692	11,550	11,325	12,351
Net Receipts	**51,501**	**50,410**	**53,952**	**55,010**	**57,456**

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

Withholding in FY 2019 is estimated to be $1.5 billion (3.8 percent) higher than FY 2018 results, driven by modest wage growth. Extension payments related to tax year 2017 are expected to increase by $40 million (1.2 percent), primarily due to one-time payments related to the expiration of the Federal 10-year window to repatriate foreign hedge fund earnings. These one-time payments have been offset by an acceleration of New York State tax liability payments into December 2017 to take advantage of the uncapped Federal itemized deduction for State and local taxes paid for tax year 2017, leaving growth in extension payments nearly flat. Estimated payments for tax year 2018 are projected to decrease by $1.6 billion (11.2 percent), driven by a combination of a decline in nonwage income and an inflated tax year 2017 estimated payments base, stemming from the TCJA and repatriation of foreign hedge fund earnings. FY 2019 final return payments are projected to increase by $121 million (4.9 percent) and delinquencies are projected to decline by $7 million (0.5 percent).

The projected growth in total refunds of $1.2 billion (11 percent) includes increases of $407 million (6.5 percent) in prior tax year (2017) refunds, $637 million (104.4 percent) in advanced credit payments related to tax year 2018, and $117 million (13.7 percent) in the state-city offset, partially offset by a decline of $4 million (0.8 percent) in previous tax year (2016 and earlier) refunds. The FY 2019 administrative January-March refund cap is expected to remain virtually unchanged from the FY 2018 amount.

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. General Fund PIT receipts for FY 2019 of $22.7 billion are projected to decrease by $13.3 billion (36.9 percent) from FY 2018 results, reflecting a combination of enacted legislation that doubled RBTF deposits from 25 percent to 50 percent of net PIT receipts, and the decline in All Funds receipts noted above. As a result, RBTF deposits are projected to nearly double to $25.2 billion. The FY 2019 STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts for FY 2020 of $54 billion are projected to increase by $3.5 billion (7 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 5.5 percent, reflecting increases of $1.3 billion (3 percent) in withholding, $1 billion (8 percent) in estimated payments related to tax year 2019, $924 million (26.5 percent) in extension payments related to tax year 2018, $149 million (5.7 percent) in final returns, and $64 million (4.3 percent) in delinquencies. Total refunds are projected to decline $142 million (1.2 percent), due to the combination of a $500 million (22.2 percent) expected decline in the administrative refund cap and a $174 million (17.9 percent) decline in the state-city offset, partially offset by increases of $40 million (0.6 percent) in prior tax year (2018) refunds, $30 million (5.7 percent) in previous tax years (2017 and earlier) refunds, and $462 million (37 percent) in advanced credit payments. The modest growth in withholding is attributable to the expiration of the temporary high-income surcharge, scheduled to sunset after tax year 2019.

General Fund PIT receipts for FY 2020 of $24.6 billion are projected to increase by $1.8 billion (8 percent) from current year estimates, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $27 billion and the STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts for FY 2021 of $55 billion are projected to increase by $1.1 billion (2 percent) from FY 2020 estimates. Gross PIT receipts are projected to increase 1.3 percent, reflecting withholding that is projected to grow by $991 million (2.3 percent) and total refunds that are projected to decline by $225 million (1.9 percent), partially offset by a projected decrease in total estimated payments of $355 million (2 percent).

The relatively low withholding growth rate and the decline in total estimated payments reflect the aforementioned expiration of the high-income surcharge. The decline in total estimated payments includes a projected decline of $1.2 billion (8.4 percent) in estimated payments for tax year 2020, partially offset by a $804 million (18.2 percent) increase in extensions for tax year 2019. Final returns are expected to increase by $160 million (5.8 percent) and delinquencies are projected to increase by $37 million (2.4 percent). The decline in total refunds is attributable to the scheduled expiration of the Property Tax Relief Credit.

General Fund PIT receipts for FY 2021 of $25.1 billion are projected to increase by $544 million (2.2 percent). RBTF deposits are projected to be $27.5 billion, and the STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts in FY 2022 are projected to increase by $2.4 billion to $57.5 billion, while General Fund PIT receipts are projected to total $26.3 billion. Growth is projected to be suppressed by the combination of modest growth in extension payments related to tax year 2020 and an increase in tax year 2020-related refunds, both resulting from the aforementioned surcharge expiration.

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**16,711**	**17,303**	**3.5%**	**17,839**	**3.1%**	**18,390**	**3.1%**	**18,962**	**3.1%**
Sales Tax	14,495	15,086	4.1%	15,670	3.9%	16,263	3.8%	16,871	3.7%
Cigarette and Tobacco Taxes	1,171	1,119	-4.4%	1,068	-4.6%	1,020	-4.5%	977	-4.2%
Motor Fuel Tax	512	512	0.0%	507	-1.0%	504	-0.6%	501	-0.6%
Highway Use Tax	93	142	52.7%	142	0.0%	143	0.7%	145	1.4%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%
Medical Marihuana Excise Tax	2	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Taxicab Surcharge	56	50	-10.7%	50	0.0%	50	0.0%	50	0.0%
Auto Rental Tax	123	130	5.7%	135	3.8%	139	3.0%	144	3.6%
GENERAL FUND[1]	**7,377**	**7,647**	**3.7%**	**7,913**	**3.5%**	**8,185**	**3.4%**	**8,464**	**3.4%**
Sales Tax	6,776	7,057	4.1%	7,332	3.9%	7,612	3.8%	7,898	3.8%
Cigarette and Tobacco Taxes	342	328	-4.1%	316	-3.7%	304	-3.8%	294	-3.3%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2019 are estimated to total $17.3 billion, a $592 million (3.5 percent) increase from FY 2018 results. Sales tax receipts are estimated to increase $591 million (4.1 percent) from FY 2018 results, reflecting base growth (i.e., absent law changes) of 5.4 percent. This base growth stems from an estimated increase in disposable income and consumption of taxable services. Cigarette and tobacco tax collections are projected to decrease by $52 million (4.4 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are estimated to increase by $49 million (52.7 percent) as long-term trend levels resume following litigation-induced refund increases in FY 2018. Taxicab surcharge receipts are estimated to decline by $6 million (10.7 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are estimated to increase by $7 million (5.7 percent).

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

General Fund consumption/use tax receipts for FY 2019 are projected to total over $7.6 billion, a $270 million (3.7 percent) increase from FY 2018 results. This increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to total over $17.8 billion, a $536 million (3.1 percent) increase from FY 2019 estimates. The projected $584 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 3.9 percent due to projected growth in disposable income and consumption, partially offset by the continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to total over $7.9 billion in FY 2020, a $266 million (3.5 percent) increase from FY 2019. The projected increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2021 are projected to increase to nearly $18.4 billion, a $551 million (3.1 percent) increase from FY 2020. The projected increase reflects sales tax base growth of 3.9 percent, and a continued trend decline in taxable cigarette consumption. FY 2021 General Fund consumption/use tax receipts are projected to increase to nearly $8.2 billion, a $272 million (3.4 percent) increase from FY 2020 projections.

All Funds consumption/use tax receipts are projected to increase to nearly $19 billion (3.1 percent growth) in FY 2022, largely representing base growth in sales tax receipts, which is slightly offset by a continued trend decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to nearly $8.5 billion (3.4 percent growth) in FY 2022, reflecting the All Funds sales and use tax and cigarette tax trends, noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**7,164**	**7,981**	**11.4%**	**8,630**	**8.1%**	**8,966**	**3.9%**	**9,123**	**1.8%**
Corporate Franchise Tax	3,080	4,027	30.7%	4,482	11.3%	4,736	5.7%	4,780	0.9%
Corporation and Utilities Tax	748	700	-6.4%	710	1.4%	718	1.1%	727	1.3%
Insurance Tax	1,777	1,976	11.2%	2,201	11.4%	2,354	7.0%	2,467	4.8%
Bank Tax	467	142	-69.6%	71	-50.0%	0	-100.0%	0	0.0%
Petroleum Business Tax	1,092	1,136	4.0%	1,166	2.6%	1,158	-0.7%	1,149	-0.8%
GENERAL FUND	**4,916**	**5,626**	**14.4%**	**6,170**	**9.7%**	**6,470**	**4.9%**	**6,577**	**1.7%**
Corporate Franchise Tax	2,326	3,212	38.1%	3,610	12.4%	3,828	6.0%	3,828	0.0%
Corporation and Utilities Tax	570	530	-7.0%	537	1.3%	541	0.7%	547	1.1%
Insurance Tax	1,610	1,762	9.4%	1,963	11.4%	2,101	7.0%	2,202	4.8%
Bank Tax	410	122	-70.2%	60	-50.8%	0	-100.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2019 are estimated to total nearly $8 billion, an increase of $817 million (11.4 percent) from FY 2018 results. The estimate reflects increases in corporate franchise tax, insurance tax and petroleum business tax (PBT) receipts. Corporation and utilities tax and bank tax receipts are estimated to decline primarily due to higher receipts in FY 2018 that are not expected to recur in FY 2019.

Corporation franchise tax receipts are estimated to increase $947 million (30.7 percent) in FY 2019, reflecting higher gross receipts and audits. FY 2018 results were negatively impacted by a shortfall in cash remittances from taxpayers that continue to have overpayment balances from tax year 2015 that they can use to satisfy current year liability. It will likely be several years before many larger taxpayers need to remit cash payments for current liability. FY 2019 estimates also include $60 million resulting from taxable interest associated with the Federal TCJA repatriated earnings provision and $20 million from other TCJA flow-through impacts. Audit receipts are projected to increase in FY 2019 (by $137 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to decrease $48 million (6.4 percent) in FY 2019. Audits are projected to fall by $44 million as FY 2018 included payments from telecommunication companies that are not expected to recur. Gross receipts from telecommunications companies are expected to decline due to industry competitiveness and the movement of most communications to internet-based solutions which are not taxable. In 2017, over 90 percent of the population owned a smartphone.

Insurance tax receipts for FY 2019 are estimated to increase $199 million (11.2 percent) from FY 2018. Projected growth in tax year 2018 liability as well as lower expected credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC) account for the year-over-year increase. The LICGC exists to protect policyholders from the insolvency of their life

insurers. This is the third year of claims for the credit for assessments paid earlier. FY 2019 also includes a part-year revenue increase from the conversion of a not-for-profit health insurer to a for-profit health insurer.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to decrease by $325 million (69.6 percent) from FY 2019, stemming from lower audit receipts ($296 million) and smaller prior period adjustments. PBT receipts are estimated to increase $44 million (4 percent) in FY 2019, primarily due to the 5 percent increase in the PBT rate index effective January 1, 2018 and the projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2019 of $5.6 billion are projected to increase by $710 million (14.4 percent) from FY 2018 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of $8.6 billion are projected to increase by $649 million (8.1 percent) from FY 2019 estimates. The corporation franchise tax receipts increase of $455 million (11.3 percent) reflects projected growth in corporate profits and a stabilization of liability as taxpayers adjust to all aspects of State corporate tax reform (effective tax year 2015). The corporation and utilities tax receipts increase of $10 million (1.4 percent) is primarily attributable to growth in the utilities section of the tax. This projection includes $71 million in TCJA flow-through impacts in the corporation franchise tax.

Insurance tax receipts for FY 2020 of $2.2 billion are projected to increase by $225 million (11.4 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LICGC credit claims contribute to this year-over-year growth. FY 2020 includes the full year impact from the health insurer conversion described earlier. Receipts from the repealed bank tax are projected to decrease by $71 million (50 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase by $30 million (2.6 percent) in FY 2020 due to a projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2020 of nearly $6.2 billion are projected to increase by $544 million (9.7 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2021 of nearly $9 billion are projected to increase by $336 million (3.9 percent), and General Fund business tax receipts are projected to increase to nearly $6.5 billion (4.9 percent growth) from FY 2020 projections. The increase is primarily reflective of growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. Increases in projected corporation and utilities tax and insurance tax receipts are partially offset by a decline in projected bank tax and PBT receipts. This projection includes $52 million in TCJA flow-through impacts in the corporation franchise tax.

All Funds business tax receipts for FY 2022 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. In FY 2022, All Funds business tax receipts are projected to increase to $9.1 billion (1.8 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.6 billion (1.7 percent growth). This projection includes $53 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**2,451**	**2,229**	**-9.1%**	**2,341**	**5.0%**	**2,440**	**4.2%**	**2,543**	**4.2%**
Estate Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Real Estate Transfer Tax	1,125	1,178	4.7%	1,231	4.5%	1,267	2.9%	1,305	3.0%
Employer Compensation Expense Program	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,326**	**1,051**	**-20.7%**	**1,110**	**5.6%**	**1,173**	**5.7%**	**1,238**	**5.5%**
Estate Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Employer Compensation Expense Program	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2019 are estimated to total over $2.2 billion, a decrease of $222 million (9.1 percent) from FY 2018 results. This is primarily due to an estimated $275 million (21 percent) decrease in estate tax receipts which is a result of a return to a historical average in both the number and payment value of super-large (i.e., over $25 million) payments. Real estate transfer tax receipts are expected to increase by $53 million (4.7 percent) due to estimated growth in housing starts and housing prices.

General Fund other tax receipts are estimated to approach $1.1 billion in FY 2019, a decrease of $275 million (20.7 percent) from FY 2018 results, reflecting the estate tax receipts decrease noted above.

All Funds other tax receipts for FY 2020 are projected to total over $2.3 billion, a $112 million (5 percent) increase from FY 2019 estimates. The $59 million (5.7 percent) projected increase in estate tax receipts reflects projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $53 million (4.5 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to be slightly above $1.1 billion, an increase of $59 million (5.6 percent) from FY 2019 estimates due to the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 are projected to be over $2.4 billion, a $99 million (4.2 percent) increase from FY 2020 projections. Estate tax receipts are projected to increase by $63 million (5.8 percent) in FY 2021, reflecting projected growth in household net worth. The $36 million (2.9 percent) projected increase in real estate transfer tax receipts in FY 2021 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2021 are projected to total slightly below $1.2 billion, an increase of $63 million (5.7 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be over $2.5 billion in FY 2022, an increase of $103 million (4.2 percent).

General Fund other tax receipts are projected to be over $1.2 billion in FY 2022, an increase of $65 million (5.5 percent).

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 revenue, 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 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**27,262**	**28,178**	**3.4%**	**26,474**	**-6.0%**	**25,496**	**-3.7%**	**25,813**	**1.2%**
General Fund	3,129	2,474	-20.9%	2,028	-18.0%	2,001	-1.3%	1,883	-5.9%
Special Revenue Funds	17,933	17,780	-0.9%	17,461	-1.8%	16,879	-3.3%	17,051	1.0%
Capital Projects Funds	5,729	7,426	29.6%	6,516	-12.3%	6,147	-5.7%	6,411	4.3%
Debt Service Funds	471	498	5.7%	469	-5.8%	469	0.0%	468	-0.2%

All Funds miscellaneous receipts are projected to total $28.2 billion in FY 2019, an increase of 3.4 percent from FY 2018 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or STIP) in the first instance and subsequently reimbursed with PIT or Sales Tax Revenue Bond proceeds, at which time they are captured as miscellaneous receipts.

All Funds miscellaneous receipts are projected to decline in FY 2020 and FY 2021, reflecting the impact of Extraordinary Monetary Settlements received and a decrease in bond proceeds reimbursements in later years, which subsequently corresponds to the spending out of bond-financed capital projects.

Federal Grants

FEDERAL GRANTS (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**58,942**	**62,510**	**6.1%**	**63,372**	**1.4%**	**64,407**	**1.6%**	**66,454**	**3.2%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	56,744	60,003	5.7%	61,070	1.8%	62,147	1.8%	64,195	3.3%
Capital Projects Funds	2,125	2,433	14.5%	2,229	-8.4%	2,187	-1.9%	2,187	0.0%
Debt Service Funds	73	74	1.4%	73	-1.4%	73	0.0%	72	-1.4%

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

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

At this time it is not possible to assess the potential fiscal impact of policies that may be proposed and adopted by the Trump administration and current Congress. If Federal funding to the State were reduced, this could have a materially adverse impact on the Updated Financial Plan. The FY 2018 Enacted Budget included authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Responding to Federal Tax Reform

RESPONDING TO FEDERAL TAX REFORM (millions of dollars)	General Fund		All Funds	
	FY 2019	FY 2020	FY 2019	FY 2020
Maintain 2017 Empire State Child Tax Credit Benefits	0	0	0	0
Decouple PIT from Federal SALT & State Single Filer Standard Deduction	0	(1,525)	0	(1,525)
Eliminate Repatriation Tax Deduction	2,000	0	2,000	0
Establish State and Local Charitable Gifts Trust Funds	0	0	0	0
Allow NYC PIT Decoupling from Charity Itemized Deduction	0	0	0	0
Impose an Employer Compensation Expense Tax	TBD	TBD	TBD	TBD
TOTAL RESPONDING TO FEDERAL TAX REFORM	**2,000**	**(1,525)**	**2,000**	**(1,525)**

- Maintain 2017 Empire State Child Tax Credit Benefits. The TCJA of 2017 changed the maximum value of the Federal child tax credit as well as the range of incomes eligible for the credit. Absent FY 2019 Enacted Budget legislation, these changes would have increased the total tax expenditure related to the Empire State Child Tax Credit, since the State credit is based on the Federal credit. This Budget permanently calculates the State credit based on the Federal credit calculation in effect prior to the TCJA.

- Decouple PIT from Federal SALT and State Single Filer Standard Deduction. Effective tax year 2018, the TCJA limits the SALT deduction to $10,000 annually and eliminates personal exemptions entirely for State taxpayers who itemize on Federal income tax returns. Absent FY 2019 Enacted Budget legislation, the SALT deduction cap would also have restricted property taxes paid deductibility on State returns to the $10,000 limit, and the elimination of personal exemptions would have limited the standard deduction for single filers to the lesser amount claimable by dependent filers. The FY 2019 Enacted Budget allows unrestricted State deductibility of property taxes paid and retains the full value of the State standard deduction for single filers.

- Eliminate Repatriation Tax Deduction. To avoid a large unintended revenue loss, the State is decoupled from the new Federal tax deduction relating to the repatriation of certain foreign income.

- Establish State and Local Charitable Gifts Funds. While the TCJA limits the SALT deduction to $10,000 annually, the deduction for charitable gifts remain uncapped. Newly established state and local charitable gifts funds allow taxpayers to make gifts to funds of their choice and benefit from charitable gifts deductions on both Federal and State returns, while receiving tax credits equal to up to 85 percent of their charitable gifts.

- Allow New York City PIT Decoupling from Charity Itemized Deduction. The Federal itemized deduction for charitable gifts flows-through to State returns and, for New York City residents, into the calculation of New York City PIT liability. New York City is authorized to decouple from the charitable gifts itemized deduction with respect to gifts made to the newly established State and local charitable gifts funds, thereby protecting New York City tax revenue.

- Impose an Employer Compensation Expense Tax. Businesses, unlike individuals, retain full deductibility of SALT paid following enactment of the TCJA. To mitigate the impact of the cap on SALT deductions on individual Federal income tax returns for State taxpayers, legislation included with the FY 2019 Enacted Budget imposes a tax on compensation expenses paid by participating employers. The tax is applicable to a participating employer's calendar year payroll expenses exceeding $40,000 for each individual employee. The tax rate is gradually increased to 5 percent over a three-year phase-in period. Employees of participating employers are entitled to a credit to offset the expected impact of the Employer Compensation Expense Tax on wages.

See the discussion under the heading "Overview of the Updated Financial Plan – Impact of Federal Tax Law Changes" for more information on the State's response to Federal tax law changes, including a summary of the August 23, 2018 IRS-proposed regulations that set forth proposed new Federal tax regulations governing 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.

Disbursements

In FY 2019, total disbursements from the State's General Fund, including transfers, are expected to be $75.8 billion and total disbursements from State Operating Funds are expected to be $100.1 billion. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $66.7 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

			Forecast		
	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,207,104	6,262,173	6,289,708	6,303,475	6,310,359
Essential Plan - Individuals Covered	728,807	733,755	737,615	739,715	741,821
Child Health Plus - Individuals Covered	364,401	395,199	410,703	418,455	422,493
State Takeover of County/NYC Costs[1]	$2,996	$3,337	$3,677	$4,027	$4,389
EDUCATION					
School Aid (School Year Basis Funding)	$25,639	$26,553	$27,509	$28,692	$29,983
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	557,854	557,854	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	275,916	276,207	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	217,760	214,749	211,525	208,308	205,200
Safety Net Program (Families)	120,905	119,575	117,673	115,815	114,035
Safety Net Program (Singles)	206,880	209,570	211,088	213,086	215,112
MENTAL HYGIENE					
OMH Community Beds	43,347	45,006	46,528	47,324	47,874
OPWDD Community Beds	43,080	43,511	43,859	44,210	44,563
OASAS Community Beds	13,256	13,532	13,778	14,066	14,150
Total	99,683	102,049	104,165	105,600	106,587
PRISON POPULATION	49,800	48,200	48,200	48,200	48,200

[1] Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then phased-out completely as of calendar year 2015. A portion of the State takeover costs are funded from Master Settlement Agreement resources.

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to total $26.6 billion in SY 2019, an annual increase of $914 million (3.6 percent), including a $618 million Foundation Aid increase. A Community Schools set-aside of $200 million within Foundation Aid (a $50 million increase from the prior year) provides funds intended to facilitate the transformation of schools into community hubs. In addition, another $245 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Updated Financial Plan provides $50 million for new competitive grant programs, including a $15 million investment to expand prekindergarten programs for three- and four-year-old students targeted to high-need school districts, and $10 million to expand the Empire State After-School Program, helping to keep young people safe and engaged during after school hours. The State provides over $800 million in recurring annual support for three- and four-year old prekindergarten programs, including $340 million for the Statewide Universal Full-Day Prekindergarten (SUFPK) programs.

The Updated Financial Plan projections assume that year-over-year growth in School Aid disbursements will not exceed the annual percent growth in NYS personal income. However, since FY 2014, the State has annually authorized School Aid increases above the PIGI. In SY 2019, the Updated Financial Plan reflects a 3.6 percent School Aid increase, compared to 1.5 percent growth in the PIGI. For SY 2020, the resulting PIGI is 6.1 percent. However, the Updated Financial Plan reflects a School Aid increase of only 3.6 percent. Consistent with DOB's practice since enactment of the PIGI as the statutory growth cap for School Aid, the PIGI impact will be reflected in the FY 2020 Executive Budget Financial Plan as part of a comprehensive recommendation for School Aid.

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

	SY 2018	SY 2019	Change	SY 2020	Change	SY 2021	Change	SY 2022	Change
Total	**25,639**	**26,553**	**914**	**27,509**	**956**	**28,692**	**1,183**	**29,983**	**1,291**
			3.6%		3.6%		4.3%		4.5%

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

State Fiscal Year

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

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

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

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**25,457**	**26,483**	**4.0%**	**27,460**	**3.7%**	**28,567**	**4.0%**	**29,826**	**4.4%**
General Fund Local Assistance	21,954	23,043	5.0%	24,012	4.2%	25,116	4.6%	26,375	5.0%
Medicaid	61	99	62.3%	78	-21.2%	78	0.0%	78	0.0%
Core Lottery Aid	2,395	2,294	-4.2%	2,288	-0.3%	2,291	0.1%	2,291	0.0%
VLT Lottery Aid	958	907	-5.3%	934	3.0%	934	0.0%	934	0.0%
Commercial Gaming - VLT Offset	8	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Commercial Gaming	81	140	72.8%	148	5.7%	148	0.0%	148	0.0%

State fiscal year spending for School Aid is projected to total $26.5 billion in FY 2019, a 4.1 percent increase over FY 2018. Over the multi-year Updated Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2020. In addition to State aid, school districts currently receive more than $3 billion annually in Federal aid.

State aid payments for School Aid are supplemented by commercial gaming revenues shared with the State by commercial gaming facilities. These receipts are expected to increase in FY 2020 by $8 million but remain flat thereafter. Between December 2014 and August 2016, four casino resorts were recommended by the State's Gaming Facility Location Board and approved by the State Gaming Commission. The approved casinos have since opened and are in operation. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources must be paid from the General Fund.

Other Education Funding

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

OTHER EDUCATION
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,147**	**2,332**	**8.6%**	**2,295**	**-1.6%**	**2,375**	**3.5%**	**2,463**	**3.7%**
Special Education	1,264	1,329	5.1%	1,350	1.6%	1,417	5.0%	1,483	4.7%
All Other Education	883	1,003	13.6%	945	-5.8%	958	1.4%	980	2.3%

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 Special Education spending in FY 2019 is due to lower-than-expected summer school and preschool special education claims submitted during FY 2018 that are expected to materialize in FY 2019. Outyear growth for Special Education is 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 increase in All Other Education spending in FY 2019 primarily reflects a continuation or increase of one-time aid and grants. The decrease in spending levels in All Other Education in FY 2020 is largely attributable to the discontinuation of one-time aid and grants. Projected increases for charter school supplemental basic tuition and nonpublic schools are expected to drive growth in FY 2021 and thereafter.

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 receive a $66,800 exemption in FY 2019. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares of projected FY 2019 program costs are: the Basic school property tax exemption or credit for homeowners with incomes under $500,000 (53 percent); Enhanced school property tax exemption or credit for senior citizen homeowners with incomes under $86,000 (28 percent); and a credit for income-eligible resident NYC personal income taxpayers (19 percent). The FY 2018 Enacted Budget converted the NYC PIT rate reduction benefit into a PIT tax credit. The conversion has reduced and will eventually eliminate the NYC payment as a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

STAR property tax exemption spending reflects reimbursements made to school districts to offset a reduction in the amount of property tax revenue collected from STAR-eligible homeowners. In FY 2017, the STAR exemption program began a gradual shift from a spending program into an advance refundable PIT credit program. First-time homebuyers and homeowners who move now receive a refundable PIT credit, in lieu of a property tax exemption. Likewise, this change has no impact on the value of the STAR benefit received by homeowners.

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,589**	**2,459**	**-5.0%**	**2,417**	**-1.7%**	**2,402**	**-0.6%**	**2,402**	**0.0%**
Gross Program Costs	3,422	3,396	-0.8%	3,472	2.2%	3,577	3.0%	3,698	3.4%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(498)	(937)	-88.2%	(1,055)	-12.6%	(1,175)	-11.4%	(1,296)	-10.3%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Basic Exemption	1,623	1,592	-1.9%	1,565	-1.7%	1,556	-0.6%	1,556	0.0%
Gross Program Costs	1,796	1,852	3.1%	1,912	3.2%	1,989	4.0%	2,076	4.4%
Personal Income Tax Credit	(173)	(260)	-50.3%	(347)	-33.5%	(433)	-24.8%	(520)	-20.1%
Enhanced (Senior) Exemption	908	867	-4.5%	852	-1.7%	846	-0.7%	846	0.0%
Gross Program Costs	943	918	-2.7%	920	0.2%	932	1.3%	949	1.8%
Personal Income Tax Credit	(35)	(51)	-45.7%	(68)	-33.3%	(86)	-26.5%	(103)	-19.8%
New York City PIT	58	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	683	626	-8.3%	640	2.2%	656	2.5%	673	2.6%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(290)	(626)	-115.9%	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%

1 Conversion of the NYC Rate Reduction Benefit to Personal Income Credit pertains to 2017 tax year. As such, it was retroactively made effective to January 1, 2017.

* The gross program costs and PIT credit values reported in the Enacted Budget Financial Plan table were reported on a tax year basis. The values in the table above have been changed to a State fiscal year basis, and reflect updated PIT credit information. These changes do not impact the projected net cost of the STAR Program.

Much of the spending decline projected for FY 2019 is attributable to the timing of the New York City rate reduction benefit payout, upon conversion to a PIT credit. STAR actions that were enacted with the FY 2017 Enacted Budget will continue to result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Updated Financial Plan as STAR actions are implemented, particularly those revenue reductions driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

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

HIGHER EDUCATION
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,833**	**3,057**	**7.9%**	**3,175**	**3.9%**	**3,233**	**1.8%**	**3,275**	**1.3%**
City University	**1,465**	**1,494**	**2.0%**	**1,533**	**2.6%**	**1,573**	**2.6%**	**1,608**	**2.2%**
Senior Colleges	1,211	1,234	1.9%	1,277	3.5%	1,317	3.1%	1,352	2.7%
Community College	254	260	2.4%	256	-1.5%	256	0.0%	256	0.0%
Higher Education Services	**879**	**1,081**	**23.0%**	**1,157**	**7.0%**	**1,175**	**1.6%**	**1,182**	**0.6%**
Tuition Assistance Program	813	899	10.6%	939	4.4%	949	1.1%	956	0.7%
Scholarships/Awards	55	170	209.1%	206	21.2%	214	3.9%	214	0.0%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	**489**	**482**	**-1.4%**	**485**	**0.6%**	**485**	**0.0%**	**485**	**0.0%**
Community College	484	477	-1.4%	481	0.8%	481	0.0%	481	0.0%
Other/Cornell	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State also provides more than $1.0 billion annually for SUNY state-operated campuses operations through a General Fund transfer and fully supports the fringe benefits costs of SUNY employees at state-operated campuses totaling nearly $2.0 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at $1.2 billion in FY 2019, an increase of $24 million from FY 2018 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, Tuition Assistance Program (TAP), and 24 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 400,000 students.

Higher education spending is projected to increase by $224 million, or 7.9 percent, from FY 2018 to FY 2019. This change in spending largely reflects the launch of the second phase of the Excelsior Free Tuition Program, increased funding for scholarships, fringe benefit increases at CUNY, and the timing of certain payments during academic year 2018. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 53 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when it is fully phased in.

Health Care

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

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, with a goal to achieve a 25 percent reduction in avoidable hospital use over five years. The Updated Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly $8 billion through FY 2021, with the remaining funds expected to be disbursed beyond FY 2021. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

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

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

The Updated Financial Plan reflects the continuation of the "Global Cap" through FY 2022, and the projections assume that statutory authority will be extended in subsequent years. Allowable Growth under the cap for medical services is 3.2 percent in FY 2019 and estimated at 3.1 percent for each subsequent year through FY 2022.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Global Medicaid Cap[1]	**18,270**	**18,863**	**19,446**	**20,048**	**20,667**
Annual % Change		3.2%	3.1%	3.1%	3.1%

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Department of Health Medicaid	19,441	20,294	21,644	22,639	23,501
Local Assistance	19,143	20,396	21,655	22,700	23,560
State Operations	298	333	316	310	312
MSA Payments (Share of Local Growth)[2]	0	(435)	(327)	(371)	(371)
Other State Agency Medicaid Spending	4,409	3,037	3,316	3,806	3,759
Mental Hygiene[3]	4,271	2,851	3,145	3,632	3,583
Foster Care	77	85	91	94	98
Education	61	99	78	78	78
Corrections	0	2	2	2	0
Total State Share Medicaid (All Agencies)	**23,850**	**23,331**	**24,960**	**26,445**	**27,260**
Annual $ Change		(519)	1,629	1,485	815
Annual % Change		-2.2%	7.0%	5.9%	3.1%
Essential Plan[4]	**88**	**87**	**84**	**79**	**76**
Local Assistance	0	0	0	0	0
State Operations	88	87	84	79	76

[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 minimum wage increases.

[2] MSA payments will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

[3] The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

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

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

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

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS	**23,938**	**23,418**	**-2.2%**	**25,044**	**6.9%**	**26,524**	**5.9%**	**27,336**	**3.1%**
Department of Health Medicaid	**19,529**	**20,381**	**4.4%**	**21,728**	**6.6%**	**22,718**	**4.6%**	**23,577**	**3.8%**
General Fund - DOH Medicaid Local	13,397	14,313	6.8%	15,734	9.9%	16,780	6.6%	17,659	5.2%
DOH Medicaid	11,138	11,475	3.0%	12,283	7.0%	13,222	7.6%	13,560	2.6%
Mental Hygiene - Global Cap Adjustment[2]	1,269	1,653	30.3%	1,547	-6.4%	1,439	-7.0%	1,718	19.4%
Minimum Wage	255	703	175.7%	1,131	60.9%	1,207	6.7%	1,287	6.6%
Local Growth Takeover (Zero Growth Phase-in)[3]	735	917	24.8%	1,100	20.0%	1,283	16.6%	1,465	14.2%
MSA Payments (Share of Local Growth)[4]	0	(435)	0.0%	(327)	24.8%	(371)	-13.5%	(371)	0.0%
General Fund - DOH Medicaid State Ops	298	333	11.7%	316	-5.1%	310	-1.9%	312	0.6%
General Fund - Essential Plan	88	87	-1.1%	84	-3.4%	79	-6.0%	76	-3.8%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	88	87	-1.1%	84	-3.4%	79	-6.0%	76	-3.8%
Other State Funds - DOH Medicaid Local	5,746	5,648	-1.7%	5,594	-1.0%	5,549	-0.8%	5,530	-0.3%
HCRA Financing	3,966	3,871	-2.4%	3,857	-0.4%	3,782	-1.9%	3,732	-1.3%
Indigent Care Support	922	891	-3.4%	892	0.1%	892	0.0%	892	0.0%
Provider Assessment Revenue	858	886	3.3%	845	-4.6%	875	3.6%	906	3.5%
Other State Agency Medicaid Spending[5]	**4,409**	**3,037**	**-31.1%**	**3,316**	**9.2%**	**3,806**	**14.8%**	**3,759**	**-1.2%**
USE OF MSA PAYMENTS (Share of Local Growth)[4]	**0**	**435**	**0.0%**	**327**	**-24.8%**	**371**	**13.5%**	**371**	**0.0%**
LOCAL SHARE OF MEDICAID[6,7]	**7,949**	**8,516**	**7.1%**	**7,328**	**-14.0%**	**7,036**	**-4.0%**	**7,204**	**2.4%**
FEDERAL SHARE OF MEDICAID	**41,434**	**44,991**	**8.6%**	**47,146**	**4.8%**	**47,846**	**1.5%**	**49,429**	**3.3%**
DOH Medicaid	37,559	40,300	7.3%	42,183	4.7%	42,834	1.5%	44,404	3.7%
Essential Plan	3,875	4,691	21.1%	4,963	5.8%	5,012	1.0%	5,025	0.3%
ALL FUNDING SOURCES	**73,321**	**77,360**	**5.5%**	**79,845**	**3.2%**	**81,777**	**2.4%**	**84,340**	**3.1%**

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

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

[3] As of County Year (CY) 2015 the full share of local Medicaid services growth has been financed with State resources.

[4] MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of local Medicaid growth.

[5] The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

[6] 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.

[7] 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.

The Updated Financial Plan includes $425 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These reforms represent modifications to the Medicaid long-term care program to ensure access to long-term care services and support for a growing aging population; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; and enhancement of certain Medicaid services and practices, including covered telehealth and claims editing development.

MSA payments are planned to be used to fund a portion of the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but the Updated Financial Plan assumes that the MSA payments will provide financial plan relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
State Share Support	**23,938**	**23,853**	**25,371**	**26,895**	**27,707**
State Funds Medicaid Disbursements[1,2]	23,938	23,418	25,044	26,524	27,336
MSA Payments (Local Growth)	0	435	327	371	371

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

[2] The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The Updated Financial Plan includes additional General Fund support for costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.[24] The impact of these minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by $703 million in FY 2019; $1.1 billion in FY 2020; $1.2 billion in FY 2021; and $1.3 billion in FY 2022.

[24] Home health care workers in New York City and certain counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York City; $3.22 for Westchester, Nassau, and Suffolk counties), resulting in total compensation which otherwise would have exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.3 million by the end of FY 2019, a slight increase from FY 2018. This moderate increase is in part driven by an increase in elderly enrollees in the Medicaid program.

The ability to offset rising costs within the Medicaid Global Cap exists through the Medicaid integrity and efficiency initiative, which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide savings. Savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap, as noted above.

Health Care Transformation Fund (HCTF)

In September 2017, Fidelis Care (a nonprofit insurer associated with the Catholic Diocese of New York) agreed to sell substantially all its assets to Centene Corporation (under Sections 510 and 511-a of the Not-for-Profit Corporation Law "N-PCL"), 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 the Department of Health, DFS and the Office of the Attorney General. The transaction included the health care companies' agreement to contribute an estimated $2 billion in both direct payments and taxes over the next five years.

The funds are expected to be used over the next five years to offset State costs for health care transformation activities, including enhancing access to affordable quality healthcare and healthcare related services for the poor, disabled, disadvantaged, elderly and/or underserved people of the State, and/or to assist populations with any unmet healthcare related needs including, but not limited to, those associated with the social determinants of health.

Following the completion of all regulatory approvals, the initial $1 billion direct payment from Fidelis Care was deposited into the HCTF[25] in July 2018. Future conversion proceeds expected to be deposited to the HCTF include $468 million in FY 2020, followed by $118 million in both FY 2021 and FY 2022, and $68 million in FY 2023. The direct payments to the HCTF do not include the impact of increased insurance tax receipts from Centene or higher Medicaid provider rates paid to Centene, which are reflected in the General Fund.

[25] The HCTF was created pursuant to Part FFF of Chapter 59 of the Laws of 2018 to account for receipts such as those associated with the Fidelis- Centene sale. Moneys in HCTF shall be available for transfer to any other fund of the State as authorized and directed by the Director of the Budget to support health care delivery.

HEALTH CARE TRANSFORMATION FUND PURSUANT TO PART FFF OF CHAPTER 59 OF THE LAWS OF 2018 (millions of dollars)				
	FY 2019	FY 2020	FY 2021	FY 2022
Opening Balance	**0**	**513**	**314**	**0**
Receipts	**1,068**	**468**	**118**	**118**
Fidelis Payment	1,000	400	50	50
Centene Payment	68	68	68	68
Planned Uses	**(555)**	**(667)**	**(432)**	**(118)**
Housing Rental Subsidies	(274)	(274)	(154)	(118)
State Only Medicaid Payments	(136)	(136)	0	0
Capital Projects	(90)	(90)	0	0
Transitional Operational Support for Health Care Providers	(55)	(167)	(278)	0
Closing Balance	**513**	**314**	**0**	**0**

DOB expects to transfer HCTF funds to the General Fund to offset State costs for eligible health care transformation activities, including capital investments, debt restructuring activities, housing and other social purposes, and transitional operating support for health care facilities. The actual transfers will be reported in future updates to the financial plan, as appropriate.

Essential Plan (EP)

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

ESSENTIAL PLAN (millions of dollars)									
	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL ALL FUNDS SPENDING	**3,963**	**4,778**	**20.6%**	**5,047**	**5.6%**	**5,091**	**0.9%**	**5,101**	**0.2%**
State Operating Funds	**88**	**87**	**-1.1%**	**84**	**-3.4%**	**79**	**-6.0%**	**76**	**-3.8%**
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	88	87	-1.1%	84	-3.4%	79	-6.0%	76	-3.8%
Federal Operating Funds	**3,875**	**4,691**	**21.1%**	**4,963**	**5.8%**	**5,012**	**1.0%**	**5,025**	**0.3%**

The multi-year Updated Financial Plan reflects a mix of factors, including stabilizing enrollment trends and growth in the Federal marketplace premium index for base program expenses. This change in the premium index generates a higher Federal reimbursement rate, eliminating EP program costs for the State and allowing for the local assistance program to be fully federally financed.

State savings associated with the EP local assistance program are managed within the total available resources of the Medicaid Global Cap. This includes a portion of the spending associated with increasing EP enrollment in part, reflecting the transition of certain individuals from the Medicaid program to the EP program based on changes in income levels.

In FY 2018, the Trump Administration withheld CSR payments, putting low-cost health insurance coverage for income eligible recipients at risk. However, recent actions by the Trump Administration, in response to litigation brought by the State, will allow the State to recoup some of the withheld EP funding through changes to the reimbursement methodology. The Updated Financial Plan continues to reflect support for the EP program.

It is not possible at this time to assess the potential fiscal impact of long-term policies that may be adopted. The FY 2019 Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

Public Health includes the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families, up to the age of 19; the General Public Health Work (GPHW) program that reimburses local health departments for the cost of providing certain public health services; the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors; and the Early Intervention (EI) program that pays for services to infants and toddlers under the age of three, with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments 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 State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county Area Agencies on Aging (AAA) and local providers.

PUBLIC HEALTH AND AGING (millions of dollars)	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,668**	**1,684**	**1.0%**	**1,776**	**5.5%**	**1,959**	**10.3%**	**2,075**	**5.9%**
Public Health	**1,544**	**1,555**	**0.7%**	**1,644**	**5.7%**	**1,822**	**10.8%**	**1,933**	**6.1%**
Child Health Plus	291	364	25.1%	416	14.3%	609	46.4%	716	17.6%
General Public Health Work	195	155	-20.5%	204	31.6%	208	2.0%	212	1.9%
EPIC	126	128	1.6%	131	2.3%	128	-2.3%	128	0.0%
Early Intervention	175	173	-1.1%	173	0.0%	165	-4.6%	165	0.0%
HCRA Program	388	367	-5.4%	394	7.4%	384	-2.5%	384	0.0%
All Other	369	368	-0.3%	326	-11.4%	328	0.6%	328	0.0%
Aging	**124**	**129**	**4.0%**	**132**	**2.3%**	**137**	**3.8%**	**142**	**3.6%**

Declining spending for HCRA and other public health programs is partly due to the decision to fund a greater portion of the Roswell Park Cancer Institute (RPCI) with Capital Project Fund dollars.

The Enacted Budget Financial Plan included a one-time recoupment of ineligible GPHW claims paid during program years 2015 and 2016. Increased CHP spending over the multi-year financial plan reflects substantiated claims that enrollment continues to increase at a strong pace. A one-time claims correction will increase State costs by $50 million in FY 2019. The increase in FY 2020 reflects the September 2019 phase down of enhanced Federal support currently provided through the ACA. Growth in FY 2021 reflects the full annual impact of the expiration of enhanced Federal support and increased enrollment.

The Enacted Budget Financial Plan included SOFA savings realized by eliminating the planned 1.9 percent increase in the Human Services Cost of Living increase, resulting in $4 million in annual savings for FY 2019 through FY 2022. These savings are offset by the rebasing of annual program costs for the Naturally Occurring Retirement Community (NORC) and Community Services for the Elderly (CSE) for $6 million effective FY 2020.

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. HCRA authorization is extended through FY 2020, pursuant to legislation included in the FY 2018 Enacted Budget.

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

HCRA FINANCIAL PLAN FY 2018 THROUGH FY 2022
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
OPENING BALANCE	**12**	**15**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,873**	**5,872**	**5,958**	**5,995**	**6,037**
Surcharges	3,407	3,470	3,597	3,735	3,810
Covered Lives Assessment	1,103	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	829	791	752	716	683
Hospital Assessments	437	424	424	424	424
NYC Cigarette Tax Transfer/Other	97	77	75	75	75
TOTAL DISBURSEMENTS AND TRANSFERS	**5,870**	**5,887**	**5,958**	**5,995**	**6,037**
Medicaid Assistance Account[1]	3,966	3,871	3,857	3,782	3,732
Medicaid Costs	*3,769*	*3,674*	*3,660*	*3,585*	*3,535*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	922	892	892	892	892
HCRA Program Account	394	375	402	392	392
Child Health Plus	295	375	429	625	734
Elderly Pharmaceutical Insurance Coverage	137	140	142	140	139
SHIN-NY/APCD	17	40	40	0	0
All Other	139	194	196	164	148
ANNUAL OPERATING SURPLUS/(DEFICIT)	**3**	**(15)**	**0**	**0**	**0**
CLOSING BALANCE	**15**	**0**	**0**	**0**	**0**

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

Total HCRA receipts are forecasted to remain stable in total over the multi-year plan. On a multi-year basis. Projected increases in surcharges are partly offset by declines in estimated covered lives assessments and cigarette tax collections, attributable to lower consumption.

Total HCRA disbursements are commensurate with the multi-year revenue forecast. The Updated Financial Plan reflects increased FY 2019 HCRA funding for the Diversity in Medicine program, Rural Health Access initiative, and the Rural Health Network Development programs. The Diversity in Medicine program works to help address the gap in physician diversity through outreach and scholarships. The Rural Health Access and Rural Health Development programs provide support and grants to rural healthcare systems to promote more effective delivery through planning, coordination, development, implementation and operation of local networks.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. Any 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 otherwise be paid from the General Fund.

Mental Hygiene

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

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

MENTAL HYGIENE
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,350**	**2,181**	**-7.2%**	**2,609**	**19.6%**	**3,127**	**19.9%**	**3,117**	**-0.3%**
People with Developmental Disabilities	**2,115**	**2,183**	**3.2%**	**2,366**	**8.4%**	**2,668**	**12.8%**	**2,855**	**7.0%**
Residential Services	1,299	1,367	5.2%	1,454	6.4%	1,595	9.7%	1,708	7.1%
Day Programs	609	641	5.3%	682	6.4%	748	9.7%	801	7.1%
Clinic	19	20	5.3%	21	5.0%	23	9.5%	25	8.7%
All Other Services (Net)	188	155	-17.6%	209	34.8%	302	44.5%	321	6.3%
Mental Health	**1,181**	**1,296**	**9.7%**	**1,408**	**8.6%**	**1,499**	**6.5%**	**1,566**	**4.5%**
Adult Local Services	939	1,022	8.8%	1,116	9.2%	1,191	6.7%	1,246	4.6%
Children Local Services	242	274	13.2%	292	6.6%	308	5.5%	320	3.9%
Alcohol and Substance Abuse	**322**	**354**	**9.9%**	**381**	**7.6%**	**398**	**4.5%**	**413**	**3.8%**
Outpatient/Methadone	117	129	10.3%	136	5.4%	141	3.7%	145	2.8%
Residential	128	145	13.3%	156	7.6%	169	8.3%	177	4.7%
Prevention and Program Support	68	72	5.9%	82	13.9%	82	0.0%	85	3.7%
Crisis	9	8	-11.1%	7	-12.5%	6	-14.3%	6	0.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,619**	**3,834**	**5.9%**	**4,156**	**8.4%**	**4,566**	**9.9%**	**4,835**	**5.9%**
Global Cap Adjustment	**(1,269)**	**(1,653)**	**-30.3%**	**(1,547)**	**6.4%**	**(1,439)**	**7.0%**	**(1,718)**	**-19.4%**

Local assistance spending accounts for approximately 44 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 7.5 percent in the outyears. The main factors driving this level of growth are: enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding for not-for-profit providers for growth in employee wages related to minimum wage increases.

The Updated Financial Plan includes an approximately $215 million or 5.9 percent increase in local assistance funding for the mental hygiene agencies. This increase is largely related to $132 million used to support a 6.5 percent increase for direct care professionals and a 3.25 percent increase for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS. Additionally, $44 million will be used to support the minimum wage and related fringe benefit increases associated with the movement to a $15 per hour living wage. Other increases include community investments, new service investments in the OPWDD system, and funding in OASAS to combat the heroin and opioid crisis.

In addition to investments in salaries for the not-for-profit workforce, there is a $60 million annualized State-share investment in new OPWDD program services. Partly offsetting the cost of these investments are savings associated with ongoing service delivery transformation and efforts to ensure the efficient use of State resources.

The Updated Financial Plan reflects the continued expansion of community-based services and provides $10 million in enhanced support for existing OMH housing programs. The Updated Financial Plan also reflects continued support for OASAS program expansion begun in FY 2018 to address the opioid crisis. These include increased Residential Treatment capacity, expansion of outpatient Opioid Treatment Programs, Family Support Navigators, Certified Peer Recovery Advocates, Jail based substance abuse disorder programs, and other evidence-based programs.

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap, as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,229**	**1,280**	**4.1%**	**1,357**	**6.0%**	**1,360**	**0.2%**	**1,364**	**0.3%**
SSI	649	661	1.8%	663	0.3%	667	0.6%	667	0.0%
Public Assistance Benefits	475	506	6.5%	545	7.7%	541	-0.7%	541	0.0%
Public Assistance Initiatives	13	11	-15.4%	33	200.0%	33	0.0%	33	0.0%
All Other	92	102	10.9%	116	13.7%	119	2.6%	123	3.4%

DOB's caseload models project a total of 543,894 public assistance recipients in FY 2019. Approximately 214,749 families are expected to receive benefits through the Family Assistance program in FY 2019, a decrease of 1.4 percent from FY 2018. The Safety Net caseload for families is projected at 119,575 in FY 2019, a decrease of 1.1 percent from FY 2018. The caseload for single adults/childless couples supported through the Safety Net program is projected at 209,570 in FY 2019, an increase of 1.3 percent from FY 2018.

SSI spending is projected to increase gradually over the course of the multi-year Updated Financial Plan as caseload is expected to grow. Public assistance benefits will increase in FY 2019 and FY 2020 due to a variety of factors including the expansion of New York City HIV/AIDS Services Administration (HASA) benefits to public assistance recipients living in New York City and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Other spending growth includes increased spending on homeless services and prevention, the Response to Human Trafficking program, and a new program intended to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island.

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,608**	**1,691**	**5.2%**	**1,673**	**-1.1%**	**1,691**	**1.1%**	**1,726**	**2.1%**
Child Welfare Service	509	506	-0.6%	491	-3.0%	501	2.0%	501	0.0%
Foster Care Block Grant	384	384	0.0%	389	1.3%	393	1.0%	403	2.5%
Adoption	148	148	0.0%	155	4.7%	157	1.3%	157	0.0%
Child Care	203	290	42.9%	270	-6.9%	271	0.4%	271	0.0%
Youth Programs	105	90	-14.3%	99	10.0%	92	-7.1%	92	0.0%
Medicaid	77	85	10.4%	91	7.1%	95	4.4%	99	4.2%
Adult Protective/Domestic Violence	53	45	-15.1%	48	6.7%	51	6.3%	54	5.9%
Committees on Special Education	37	22	-40.5%	24	9.1%	26	8.3%	28	7.7%
All Other	92	121	31.5%	106	-12.4%	105	-0.9%	121	15.2%

OCFS State Operating Funds spending is projected to increase from FY 2018 to FY 2019 due to several factors, including restoring funding for child care subsidies to FY 2017 levels, costs associated with the regionally-based, multi-year increase in the statewide minimum wage, and legislative spending additions to fund a range of OCFS programs. These increases are partially offset by savings actions allowing the expiration of provisions authorizing State reimbursement to New York City for Close to Home costs, which provide juvenile justice services to New York City youth classified by the court system as juvenile delinquents, and the elimination of the human services COLA in FY 2019.

Increased spending in the outyears is primarily due to implementation of the "Raise the Age" initiative, which will increase the age of criminal responsibility from 16 to 18, and planned increases consistent with anticipated program growth for a number of initiatives. These increases are partly offset by a reduction in detention spending to date.

Transportation

In FY 2019, the State expects to provide almost $5.4 billion in operating aid to mass transit systems, including over $1.4 billion in off-budget aid to the MTA (not included in the table below). This aid is funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the mass transit aid - totaling $4.8 billion in FY 2019.

The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). Through FY 2018, the State collected these taxes and fees on behalf of, and disbursed the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS SUPPORT	**5,025**	**3,936**	**-21.7%**	**3,617**	**-8.1%**	**3,664**	**1.3%**	**3,795**	**3.6%**
Mass Transit Operating Aid:	2,283	2,324	1.8%	2,326	0.1%	2,326	0.0%	2,326	0.0%
Metro Mass Transit Aid	2,152	2,188	1.7%	2,190	0.1%	2,190	0.0%	2,190	0.0%
Public Transit Aid	87	92	5.7%	92	0.0%	92	0.0%	92	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	1,709	378	-77.9%	242	-36.0%	242	0.0%	242	0.0%
MTA Aid Trust	283	292	3.2%	296	1.4%	292	-1.4%	294	0.7%
Dedicated Mass Transit	678	683	0.7%	696	1.9%	746	7.2%	876	17.4%
AMTAP	70	260	271.4%	57	-78.1%	57	0.0%	57	0.0%
All Other	2	(1)	-150.0%	0	100.0%	1	0.0%	0	-100.0%

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

The FY 2019 Enacted Budget includes legislation directing the Mobility Tax collections to be remitted directly to the MTA without legislative appropriation. This will ensure more timely receipt by the MTA, which provides a one-time benefit of $60 million for the MTA. Beginning in FY 2019, the Updated Financial Plan will no longer include new Mobility Tax receipts or associated local assistance payments. Combining on-budget ($402 million) and off-budget ($1.4 billion) spending, the MTA will receive over $1.8 billion of Mobility Tax resources in FY 2019.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**722**	**724**	**0.3%**	**731**	**1.0%**	**763**	**4.4%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	7	9	28.6%	16	77.8%	48	200.0%	48	0.0%

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2019 to FY 2022, due to revisions in the timing of spending, including potential awards from the Financial Restructuring Board (FRB) for Local Governments. Based on current outstanding awards and reimbursement amounts from the FRB and lower than expected spending on efficiency grants, the State anticipates that spending on Municipality Restructuring/Efficiency will be $24 million lower than previously planned for FY 2020. In addition, $8 million of General Fund spending is shifted to capital funds.

Agency Operations

Agency operating costs consist of Personal Service (PS), Non-Personal Service (NPS), and GSCs. PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, Information Technology (IT), and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are 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, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of DOT and DMV (adjusted for the reclassification discussed above) are included in Capital Projects Funds and are not reflected in State Operating Funds. The PS estimates reflect current negotiated collective bargaining agreements.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Negotiated Base Salary Increases[1]					
UUP	2%	2%	2%	2%	2%
NYSPBA	2%	2%	2%	2%	2%
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	2%	TBD
PEF/GSEU/MC	2%	2%	TBD	TBD	TBD
NYSPIA[2]	1.5%	TBD	TBD	TBD	TBD
Council 82/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[3]	117,397	118,868	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	16.2%	15.7%	15.9%	17.2%	18.6%
After Amortization[5]	20.0%	19.4%	19.6%	20.8%	21.8%
PFRS Contribution Rate					
Before Amortization[4]	25.1%	24.1%	24.0%	25.1%	26.2%
After Amortization[5]	28.1%	26.9%	27.4%	28.4%	29.4%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.9%	6.9%	6.6%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.1%	13.5%	13.5%	14.0%	13.8%

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

[2] Contracts contain "reopener" language which allows these unions to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent in FY 2017 and in FY 2018.

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

[4] Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), 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.

Operating costs for PS/NPS are projected to increase over the Updated Financial Plan period, from $18.8 billion in FY 2018 to $20.4 billion in FY 2022. Most Executive agencies are expected to hold spending at FY 2018 levels. In addition to the DOT/DMV operations reclassification discussed previously, increases in the outyears of the Updated Financial Plan are driven mainly by juvenile justice reform, anticipated labor agreements, growth in SUNY operating costs including costs of the recently settled UUP contract, and an additional administrative payroll in FY 2021 due to the payroll calendar.

State Financial Plan Projections Fiscal Years 2019 Through 2022

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

	FY 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,004**	**10,232**	**10,448**	**10,807**	**10,840**
Mental Hygiene	2,804	2,792	2,820	2,896	2,945
Corrections and Community Supervision	2,628	2,606	2,619	2,624	2,616
State Police	742	731	725	751	766
Information Technology Services	536	545	540	551	557
Medicaid Admin/EP	385	419	400	389	387
Public Health	356	393	389	395	394
Tax and Finance	321	332	331	341	330
Children and Family Services	242	289	376	443	446
Environmental Conservation	213	208	205	216	210
Financial Services	209	209	213	219	213
Parks, Recreation and Historic Preservation	169	173	171	178	173
Workers' Compensation Board	141	143	145	151	146
Temporary and Disability Assistance	123	127	133	138	141
General Services	144	137	133	132	130
Gaming	95	81	81	82	81
Potential and Settled Labor Agreements[1]	495	626	741	856	856
Agency Financial Management Plan	(500)	(500)	(500)	(500)	(500)
All Other	901	921	926	945	949
DOT/DMV Operations Reclassification	**0**	**282**	**332**	**337**	**343**
UNIVERSITY SYSTEMS	**6,183**	**6,295**	**6,359**	**6,518**	**6,481**
State University	6,080	6,200	6,262	6,421	6,382
City University	103	95	97	97	99
INDEPENDENT AGENCIES	**330**	**333**	**336**	**350**	**338**
Law	183	179	182	189	183
Audit & Control (OSC)	147	154	154	161	155
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,517**	**17,142**	**17,475**	**18,012**	**18,002**
Judiciary	2,081	2,133	2,121	2,178	2,121
Legislature	223	230	234	239	244
Statewide Total	**18,821**	**19,505**	**19,830**	**20,429**	**20,367**
Personal Service	13,170	13,716	13,990	14,547	14,393
Non-Personal Service	5,651	5,789	5,840	5,882	5,974

[1] Includes the estimated potential and settled cost for executive agencies.

The most significant changes to spending for agency operations include:

- Mental Hygiene. As a result of the Mental Hygiene Fund reclassification, spending will decline in FY 2019 due to the elimination of indirect costs previously charged to the Special Revenue Fund. Cost increases in the out years are driven by operating expenses at the institutional facilities and personal service costs for direct care professionals and clinical staff delivering services on behalf of the OPWDD, OMH and OASAS.

- State Police. The modest decline in spending reflects the reclassification of certain personal service spending, offset by the full year cost of recruit classes and added resources to combat MS-13 gang activities.

- Medicaid Admin/EP. Increased spending in FY 2019 is mainly attributable to higher costs associated with NYSOH enrollment trends partially offset by lower than anticipated operating expenses including contract costs.

- Public Health. Higher spending in outyears is due to certification and surveillance activities, additional funding to support stem cell research, and higher operating costs for NYSOH.

- Children and Family Services. Increases reflect additional funding in OCFS to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019.

- Gaming. Decreases reflect a change in the accounting structure related to advertising costs, so that direct payments are made to the vendors from a third party instead of through the Gaming Commission.

- Potential and Settled Labor Agreements. Spending reflects negotiated settlement agreements with PEF, which have been extended to unrepresented M/C employees, the five-year settlement with CSEA, DC-37 (Rent Regulation Unit), and parity, with remaining unsettled unions assumed to follow the PEF model.

- Agency Financial Management Plans. All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018.

- DOT/DMV Operations Reclassification. Reflects the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the DHBTF to the General Fund.

- SUNY. Higher spending reflects the cost of the UUP salary contract ratified by members in September 2018, partially offset by revisions to agency operations spending based on a review of operating results to date.

Workforce

In FY 2019, $13.6 billion or 13.7 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,500 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,176); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2019 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,434**	**94,741**
Mental Hygiene Agencies	2,318	32,334
Corrections and Community Supervision	2,043	27,238
State Police	669	5,666
Information Technology Services	286	3,401
Health	280	3,974
Tax and Finance	264	3,977
Children and Family Services	192	2,406
Environmental Conservation	170	2,124
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	134	1,304
Education	88	1,263
Workers' Compensation Board	85	1,110
Temporary and Disability Assistance	68	1,019
General Services	48	832
All Other	632	6,711
DOT/DMV Operations Reclassification	**167**	**2,712**
University Systems	**4,022**	**46,038**
State University	3,974	45,655
City University[2]	48	383
Independent Agencies	**2,093**	**18,176**
Law	126	1,583
Audit & Control (OSC)	123	1,527
Judiciary	1,668	15,064
Legislature[3]	176	2
Total	**13,716**	**161,667**

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

[2] CUNY employees are funded primarily through an agency trust fund that supports an additional 13,166 FTEs, which are excluded from this table.

[3] Legislative employees are nonannual salaried and are excluded from this table.

General State Charges

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

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from agency fringe benefit assessments. Commencing in FY 2019, there are two fund reclassifications that will impact fringe benefit collections from other agencies. First, the mental hygiene spending in the Mental Hygiene Program Fund and the Patient Income Fund ($1.4 billion) will be accounted for in the General Fund. Similarly, DOT and DMV spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the DHBTF will be accounted for in the General Fund ($107 million).

GSC spending is projected to increase at an average annual rate of 6.1 percent over the multi-year Updated Financial Plan period. This growth is primarily attributable to the health insurance, pensions, and workers' compensation programs. Growth is offset by reductions in other fringe benefits and fixed costs.

Growth in the health insurance program of $242 million (6.1 percent) is reflective of medical inflation at stable enrollment levels. Workers' compensation costs are increasing by $174 million in FY 2019 primarily due to underlying growth in the average weekly wage used in benefit calculations and medical costs ($69 million / 13.4 percent), as well as a reduction in the use of offsetting reserve funds ($105 million). Overall pension costs are projected to increase by a modest amount due to improved investment returns and ongoing savings from the Tier 5 and Tier 6 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

GENERAL STATE CHARGES
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,853**	**8,410**	**7.1%**	**8,814**	**4.8%**	**9,396**	**6.6%**	**9,963**	**6.0%**
Fringe Benefits	**7,440**	**7,980**	**7.3%**	**8,378**	**5.0%**	**8,949**	**6.8%**	**9,510**	**6.3%**
Health Insurance	3,963	4,205	6.1%	4,361	3.7%	4,708	8.0%	5,058	7.4%
Pensions	2,442	2,417	-1.0%	2,518	4.2%	2,628	4.4%	2,822	7.4%
Social Security	1,014	1,037	2.3%	1,055	1.7%	1,092	3.5%	1,081	-1.0%
Workers' Compensation	306	480	56.9%	592	23.3%	679	14.7%	736	8.4%
Employee Benefits	92	99	7.6%	103	4.0%	108	4.9%	111	2.8%
Dental Insurance	64	60	-6.3%	61	1.7%	63	3.3%	65	3.2%
Unemployment Insurance	13	12	-7.7%	12	0.0%	12	0.0%	12	0.0%
All Other	2,359	1,118	-52.6%	1,129	1.0%	1,172	3.8%	1,169	-0.3%
Non-State Escrow	(2,813)	(1,448)	48.5%	(1,453)	-0.3%	(1,513)	-4.1%	(1,544)	-2.0%
Fixed Costs	**413**	**430**	**4.1%**	**436**	**1.4%**	**447**	**2.5%**	**453**	**1.3%**
Public Land Taxes/PILOTS	254	263	3.5%	269	2.3%	275	2.2%	282	2.5%
Litigation	159	167	5.0%	167	0.0%	172	3.0%	171	-0.6%

Growth in GSC spending in FY 2019 has been partly offset by gap-closing savings in ERS/PFRS. Approximately $62 million in additional pension interest savings was achieved by paying most of the State pension bill in April 2018, rather than monthly as previously assumed. Over the multi-year Updated Financial Plan period, outyear pension costs reflect expected investment performance, projected growth in the salary base, and assumptions about future normal and administrative costs. Pension costs also reflect repayment of prior-year amortizations, costs for Chapter 41 of 2016 (veteran's pension credit legislation), and other adjustments. Similarly, reimbursements collected from agency fringe benefit assessments have been revised based on projected personal service spending and reimbursement rates.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities (FY 2018 only), 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 2018 Results	FY 2019 Updated	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**9,852**	**5,529**	**6,336**	**6,237**	**6,232**
State Share of Mental Hygiene Medicaid[1]	1,333	0	0	0	0
Debt Service	1,047	775	823	904	747
SUNY University Operations	1,015	1,020	1,008	1,004	1,004
Capital Projects	**2,191**	**2,635**	**3,425**	**3,171**	**3,182**
Dedicated Highway and Bridge Trust Fund	771	167	447	524	368
Dedicated Infrastructure Investment Fund	941	1,009	1,145	989	822
FY 2017 Temporary Loan to Capital Projects Fund[2]	(1,300)	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund[2]	500	(500)	0	0	0
Transfer to DIIF for Javits Expansion	164	350	320	166	0
Bond Proceeds Receipts for Javits Expansion	0	0	(500)	(500)	0
Mass Transit Capital from Settlements	67	6	6	6	0
Statewide Health Care Capital from Settlements	19	72	70	80	63
Environmental Protection Fund	28	28	28	28	28
All Other Capital	**1,001**	**1,503**	**1,909**	**1,878**	**1,901**
ALL OTHER TRANSFERS	**4,266**	**1,099**	**1,080**	**1,158**	**1,299**
Mental Hygiene[1]	3,127	0	0	0	0
Department of Transportation (MTA Payroll Tax)	268	244	244	244	244
SUNY - Medicaid Reimbursement	405	243	243	243	243
Judiciary Funds	109	110	109	110	110
Dedicated Mass Transportation Trust Fund	63	65	65	116	256
Banking Services	41	60	53	53	53
Indigent Legal Services	25	35	58	82	82
General Service Executive Direction	22	22	22	22	22
Mass Transportation Operating Assistance	21	21	21	21	21
Correctional Industries	12	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Health Income Fund	15	16	16	16	16
Centralized Technology Services	9	14	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	5	7	5	7	7
All Other	120	216	187	187	188

[1] The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.

[2] Represents the temporary use of Extraordinary Monetary Settlement fund balances to pay for capital projects in the first instance. These advances will be repaid in the following year when the State reimburses the capital spending from bond proceeds.

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and Highway Use Tax (HUT). The Updated Financial Plan includes transfers from the General Fund that effectively subsidize DHBTF expenses, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) routinely exceed current and projected revenue deposits and bond proceeds. This transfer is reduced in FY 2019 and in the ensuing years of the Updated Financial Plan as certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities have been reclassified from the DHBTF to the General Fund.

General Fund transfers to other funds are expected to total $5.5 billion in FY 2019, a $4.3 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, which eliminate the General Fund transfers for mental hygiene activity, offset by an increase in transfers appropriated to DIIF and the Capital Projects Fund in FY 2019, including temporary loans and planned repayment of funds related to debt management actions.

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Updated	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
General Fund	1,047	775	-26.0%	823	6.2%	904	9.8%	747	-17.4%
Other State Support	4,826	4,745	-1.7%	5,797	22.2%	6,217	7.2%	6,350	2.1%
State Operating/All Funds Total	**5,873**	**5,520**	**-6.0%**	**6,620**	**19.9%**	**7,121**	**7.6%**	**7,097**	**-0.3%**

Total State Operating/All Funds debt service is projected to be $5.5 billion in FY 2019, of which $775 million is paid from the General Fund via transfers, and $4.7 billion is from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

The Updated Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including 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 the prepayment in FY 2018 of $594 million in debt service costs due in FY 2019, as well as a planned prepayment of $145 million in FY 2019 for debt service costs due in FY 2020.

GAAP-Basis Results for Prior Fiscal Years

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GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information, including a management discussion and analysis, on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information are released in July each year. These statements are audited by independent certified public accountants. The State issued the Basic Financial Statements for FY 2018 on July 27, 2018. The Comptroller also prepares and issues a Comprehensive Annual Financial Report ("CAFR"), which, in addition to the components referred to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2018 was issued on September 1, 2018.

The following tables summarize recent governmental funds results on a GAAP basis.

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

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accumulated General Fund Surplus/(Deficit)
March 31, 2018	2,386	1,095	(877)	(86)	2,518	4,672
March 31, 2017	(2,788)	188	(599)	(153)	(3,352)	2,286
March 31, 2016	(978)	460	754	172	408	5,074

SUMMARY OF NET POSITION
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2018	28,608	69	28,677
March 31, 2017	28,580	332	28,912
March 31, 2016	32,539	225	32,764

The CAFR for the fiscal year ended March 31, 2018 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

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Authorities and Localities

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Public Authorities

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs on their notes, bonds or other legislatively authorized financing structures from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. Since the State has no actual or contingent liability for the payment of this type of public authority indebtedness, it is not classified as either State-supported debt or State-related debt. Some public authorities, however, receive monies from State appropriations to pay for the operating costs of certain programs.

There are statutory arrangements that, under certain circumstances, authorize State local assistance payments that have been appropriated in a given year and are otherwise payable to localities to be made instead to the issuing public authorities in order to secure the payment of debt service on their revenue bonds and notes. However, in honoring such statutory arrangement for the redirection of local assistance payments, the State has no constitutional or statutory obligation to provide assistance to localities beyond amounts that have been appropriated therefor in any given year.

As of December 31, 2017, (with respect to Job Development Authority or "JDA" as of March 31, 2018) each of the 17 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $187 billion, only a portion of which constitutes State-supported or State-related debt. Note that the outstanding debt information contained in the following table is the most current information provided by OSC from data submitted by the 17 authorities in the following table at the time of this AIS Update.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2017[2]
(millions of dollars)

Authority	State-Related Debt	Authority and Conduit	Total
Dormitory Authority	30,422	19,781	50,203
Metropolitan Transportation Authority	68	28,715	28,783
Port Authority of NY & NJ	0	24,940	24,940
Housing Finance Agency	192	16,987	17,179
UDC/ESD	14,346	1,093	15,439
Job Development Authority[2]	0	10,218	10,218
Thruway Authority	3,224	5,603	8,827
Triborough Bridge and Tunnel Authority	0	8,545	8,545
Long Island Power Authority[3]	0	7,569	7,569
Environmental Facilities Corporation	64	6,223	6,287
Energy Research and Development Authority	0	2,568	2,568
State of New York Mortgage Agency	0	2,566	2,566
Local Government Assistance Corporation	1,447	0	1,447
Power Authority	0	1,306	1,306
Battery Park City Authority	0	955	955
Municipal Bond Bank Agency	172	195	367
Niagara Frontier Transportation Authority	0	105	105
TOTAL OUTSTANDING	49,935	137,369	187,304

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

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

(2) All Job Development Authority (JDA) debt outstanding reported as of March 31, 2018. This includes $10.2 billion in conduit debt issued by JDA's blended component units consisting of $6.1 billion issued by New York Liberty Development Corporation ($1.2 billion of which is also included in the amount reported for Port Authority of NY and NJ), $745 million issued by the Brooklyn Arena Local Development Corporation and $3.3 billion issued by the New York Transportation Development Corporation.

(3) Includes $4.26 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

Localities

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities, while one of the largest disbursement categories in the State budget, is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting Jason Goh, Investor Relations, (212) 788-5864, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The official financial disclosures of the City of New York and its related issuers can also be accessed through the EMMA system website at www.emma.msrb.org. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY AND RELATED ENTITIES[1]
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA [1]	Obligations of STAR Corp. [2]	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other [3] Obligations	Total
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639
2017	37,891	40,696	1,884	1,089	2,751	2,034	86,345
2018	38,628	43,355	1,805	1,071	2,724	2,085	89,668

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the STARC by the Mayor of the City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

The staffs of the Financial Control Board for the City of New York (FCB), the Office of the State Deputy Comptroller (OSDC), the City Comptroller and the Independent Budget Office issue periodic reports on the City's financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director, http://www.fcb.state.ny.us/; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller, http://www.osc.state.ny.us/osdc/; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget, https://comptroller.nyc.gov/; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director, http://www.ibo.nyc.ny.us/.

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 27 special acts authorizing bond issuances to finance local government operating deficits. Included in this figure are special acts that extended the period of time related to prior authorizations and modifications to issuance amounts previously authorized. When a local government is authorized to issue bonds to finance operating deficits, the local government is subject to certain additional fiscal oversight during the time the bonds are outstanding as required by the State's Local Finance Law, including an annual budget review by OSC.

In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within particular localities. The Cities of Buffalo and Troy, and the Counties of Erie and Nassau are subject to varying levels of review and oversight by entities created by such legislation. The City of Newburgh operates under special State legislation that provides for fiscal oversight by the State Comptroller and the City of Yonkers must adhere to a Special Local Finance and Budget Act. The impact on the State of any possible requests in the future for additional oversight or financial assistance cannot be determined at this time and therefore is not included in the Updated Financial Plan projections.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Director of the Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality", is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal accountability measures, and making available certain grants and loans. To date, the Restructuring Board is currently reviewing or has completed reviews for twenty-five municipalities. The Restructuring Board is also authorized, upon the joint request of a fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity's score on the fiscal components will determine whether it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that are determined to have stress levels below established scoring thresholds are classified as "No Designation".

A total of 37 local governments (10 counties, 8 cities, 9 towns, 10 villages) and 26 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2017. The vast majority of entities scored by OSC (97 percent) are classified in the "No Designation" category.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2017.

DEBT OF NEW YORK LOCALITIES[1]
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt[2]		Other Localities Debt[3]		Total Locality Debt[3]	
	Bonds	Notes	Bonds[4]	Notes[4]	Bonds[3][4]	Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2010	69,536	0	36,110	7,369	105,646	7,369
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981
2016	83,639	0	35,006	6,952	118,645	6,952
2017	86,345	0	34,788	5,617	121,133	5,617

Source: Office of the State Comptroller; The City of New York Comprehensive Annual Financial Report.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) Includes bonds issued by New York City and its related issuers, the Transitional Finance Authority, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" in the section of this document entitled "Authorities and Localities - The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, and the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

(3) Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

(4) Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

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State Retirement System

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

General

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

Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2018, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2018 and is available on the OSC website at the following address:https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Additionally, available at the OSC website are the System's asset listing for the fiscal year ended March 31, 2018 and audited financial statements with independent auditor's report for the fiscal year ended March 31, 2018.

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System's Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2018 are available at the OSC website at https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Benefit plan booklets describing how each of the System's tiers works can be accessed at https://www.osc.state.ny.us/retire/publications/.

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

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

deems necessary. The Real Estate Advisory Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

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

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 33 percent of the System's membership as of March 31, 2018. There were 3,044 public employers participating in the System, including the State, all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2018, 652,030 persons were members of the System and 470,596 pensioners or beneficiaries were receiving pension benefits. Article 5, section 7 of the State Constitution considers membership in any State pension or retirement system to be "a contractual relationship, the benefits of which shall not be diminished or impaired."

Comparison of Benefits by Tier

The System's members are categorized into six tiers depending on date of membership. As of March 31, 2018, approximately 58 percent of ERS members were in Tiers 3 and 4 and approximately 68 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

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

ERS Chart: https://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php

PFRS Chart: https://www.osc.state.ny.us/retire/employers/tier-6/pfrs_comparison.php

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 88 percent of the Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages.[26] Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 will contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used by the System's Actuary to calculate employer contribution requirements is the assumed investment rate of return, which is currently 7.0 percent.[27]

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[26] Less than 1 percent of the 9,210 PFRS Tier 6 members are non-contributory.

[27] During 2015, the Retirement System's Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary's recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been used to determine employer contribution rates in FYs 2017 through 2020.

The current actuarial smoothing method recognizes unexpected annual gains and losses (returns above or below the assumed investment rate of return) over a 5-year period.

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Contribution rates for FY 2020 were released in August 2018. The average ERS rate decreased by 0.3 percent from 14.9 percent of salary in FY 2019 to 14.6 percent of salary in FY 2020, while the average PFRS rate in FY 2020 will remain at 23.5 percent of payroll, the same rate as in FY 2019. Information regarding average rates for FY 2020 may be found in the 2018 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

https://www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent, 2.84 percent, and 3.64 percent respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2018, the amortized amount receivable, including accrued interest, for the 2011 amortization is $88.2 million from the State and $10.6 million from 30 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $251.0 million from the State and $77.1 million from 106 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $419.0 million from the State and $167.1 million from 124 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $603.9 million for the State and $114.6 million from 92 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is $523.3 million from the State and $97.3 million from 78 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is $294.4 million from the State and $53.4 million from 53 participating employers; the amortized amount receivable, including accrued interest for the 2017 amortization, is $5.6 million from 9 participating employers; the State did not amortize in 2017;

and the amortized amount receivable, including accrued interest for the 2018 amortization, is $4.4 million from 4 participating employers; the State did not amortize in 2018.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. There are 41 employers that are currently enrolled in the program. Employers are not required to amortize every year. As of March 31, 2018, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $171.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $154.5 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $115.2 million. The amortized amount receivable, including interest, from 19 participating employers for the 2017 amortization is $66.2 million. The amortized amount receivable, including interest, from 13 participating employers for the 2018 amortization is $74.9 million.

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The FY 2019 amounts are 14.0 percent for ERS and 22.0 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve-year period at an interpolated twelve-year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015, 3.31 percent for FY 2016, 2.63 percent for FY 2017, 3.31 percent for FY 2018 and 3.99 percent for FY 2019). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

Legislation enacted in June 2017 modified the calculation of an employer's graded rate to be the product of the System's graded rate with the ratio of the employer's average contribution rate to the System's average contribution rate, not to exceed the System's graded rate.

The total State payment (including Judiciary) due to NYSLRS for FY 2018 was approximately $2.359 billion. The State opted not to amortize under the Contribution Stabilization Program and paid the bill in full as of March 1, 2018.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2019 is approximately $2.330 billion. Multiple prepayments (including interest credit) have reduced this amount to $18 million.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2020 is approximately $2.350 billion.

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

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2018 was $212.1 billion (including $5.2 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $14.5 billion or 7.3 percent from the FY 2017 level of $197.6 billion. The increase in net position restricted for pension benefits from FY 2017 to FY 2018 reflects, in large part, equity market performance.[28] The System's audited Financial Statement reports a time-weighted investment rate of return of 11.35 percent (gross rate of return before the deduction of certain fees) for FY 2018.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2015, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 50 percent public equities (36 percent domestic and 14 percent international); 18 percent bonds, cash and mortgages; 4 percent inflation indexed bonds and 28 percent alternative investments (10 percent private equity, 10 percent real estate, 2 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process. [29]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to $251.4 billion (including $127.8 billion for retirees and beneficiaries) as of April 1, 2018, up from $240.7 billion as of April 1, 2017. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted

[28] On November 14, 2018, the State Comptroller released a statement indicating that the value of the System's Invested assets posted a 3.47 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ending September 30, 2018. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[29] More detail on the CRF's asset allocation as of March 31, 2018, long-term policy and transition target allocation can be found on page 96 of the NYSLRS' CAFR for the fiscal year ending March 31, 2018.

for pension benefits as of March 31, 2018. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2018 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2018, 40 percent of the unexpected gain for FY 2017, 60 percent of the unexpected loss for FY 2016, and 80 percent of the unexpected loss for FY 2015. The asset valuation method smooths gains and losses based on the market value of all investments. Actuarial assets increased from $198.1 billion on April 1, 2017 to $206.7 billion on April 1, 2018.

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

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

The ratio of fiduciary net position to the total pension liability for ERS, as of March 31, 2018, calculated by the System's Actuary, was 98.2 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2018, calculated by the System's Actuary, was 96.9 percent.[30]

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

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

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in September 2017, based on the System's measurement date of March 31, 2017. The Net Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

Detailed "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" can be found on the OSC website at the following link:
https://www.osc.state.ny.us/retire/about us/financial statements index.php.

The GASB 68 "Schedules of Employer Allocation" and "Schedules of Pension Amounts by Employer" as of March 31, 2018 have been posted to the OSC website.

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

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

Fiscal Year Ended March 31	Contributions Recorded				Total Benefits Paid[3]
	All Participating Employers[1][2]	Local Employers[1][2]	State[1][2]	Employees	
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,386	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,140	3,182	1,958	307	11,060
2017	4,787	2,973	1,814	329	11,508
2018	4,823	3,021	1,802	349	12,129

Sources: State and Local Retirement System.

(1) Contributions recorded include the full amount of unpaid amortized contributions.

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

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

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

Fiscal Year Ended March 31	Net Assets	Percent Increase/ (Decrease) From Prior Year
2009	110,938	-28.8%
2010	134,252	21.0%
2011	149,549	11.4%
2012	153,394	2.6%
2013	164,222	7.1%
2014	181,275	10.4%
2015	189,412	4.5%
2016	183,640	-3.0%
2017	197,602	7.6%
2018	212,077	7.3%

Sources: State and Local Retirement System.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2018 includes approximately $5.2 billion of receivables.

Additional Information Regarding the System

The NYSLRS CAFR contains in-depth and audited information about the System. Among other things, the NYSLRS CAFR contains information about the number of members and retirees, salaries of members, valuation of assets, changes in fiduciary net position and information related to contributions to the System. The 2018 NYSLRS CAFR is available on the OSC website at the following web address:

http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

1) Information on the number of members and retirees, including the change in the number of members and retirees and beneficiaries since 2009 can be found on page 27 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the "Statistical" section of the NYSLRS CAFR.

2) A combining basic statement of changes in fiduciary net position can be found on page 41 of the NYSLRS CAFR at the link noted above.

3) Schedule of Changes in the Employers' Net Pension Liability and Related Ratios (unaudited) can be found on pages 70-71 at the link noted above.

4) Information on contributions can be found on pages 143-151 of the NYSLRS CAFR at the link noted above.

5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the CRF since 2008 can be found on page 152 of the NYSLRS CAFR at the link noted above.

6) Information related to the salaries of members can be found on pages 185-189 of the NYSLRS CAFR at the link noted above.

Litigation

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Litigation

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

Real Property Claims

Over the years, there have been a number of cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal. Of these cases, only one remains active.

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least December 14, 2018 to allow for settlement negotiations.

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

School Aid

In Maisto v. State of New York (formerly identified as Hussein v. State of New York), plaintiffs seek a judgment declaring that the State's system of financing public education violates § 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice of appeal dated October 5, 2016 with the Appellate Division, Third Department. Plaintiffs have filed their appellate brief and the State's brief was filed May 30, 2017. The appeal was argued on September 5, 2017. By decision and order dated October 26, 2017, the Appellate Division reversed the judgment of the trial court and remanded the case in order for the trial court to make specific findings as to the adequacy of inputs and causation.

In Aristy-Farer, et al. v. The State of New York, et al. (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools (GSPS) to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate Aristy-Farer, discussed in the preceding paragraph, with New Yorkers for Student Educational Rights v. New York. On June 27, 2017, the Court of Appeals dismissed the Aristy-Farer action but held that the New Yorkers for Student Educational Rights v. New York action could proceed on a limited basis as to the New York City and Syracuse school districts, as discussed below.

In New Yorkers for Students Educational Rights v. New York, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New* York, 8 N.Y.3d 14 (2006), and -- repeating the allegations of Aristy-Farer -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance,

services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas.

On May 30, 2014, the State filed a motion to dismiss all claims. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. Defendants filed a Notice of Appeal on December 15, 2014. Defendants filed Answers to the Amended Complaint on February 2, 2015. The appeals of both November 17, 2014 decisions, along with the appeal in Aristy-Farer, were heard by the First Department on February 24, 2016.

On April 5, 2016, following the submission of a stipulation by the parties, the trial court stayed the case pending the outcome of the appeal before the First Department.

On September 8, 2016, the First Department ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims in Aristy-Farer and New Yorkers for Students' Educational Rights (NYSER) could proceed. Defendants moved for leave to appeal to the Court of Appeals, and that motion was granted by the First Department on December 15, 2016. The matter was fully briefed in the Court of Appeals which heard argument on May 30, 2017.

On June 27, 2017, the Court of Appeals held that plaintiffs could proceed on their claims that the State was failing in its constitutional obligation to ensure the provision of minimally adequate educational services in the New York City and Syracuse school districts and remanded for further proceedings as to those two districts only.

Plaintiffs filed their Second Amended Complaint on December 11, 2017. The first cause of action alleges that the State has failed to provide a sound basic education in five school districts: New York City, Syracuse, Schenectady, Central Islip and Gouverneur. The second cause of action alleges that the State has failed to maintain a system of accountability to ensure that a sound basic education is being provided in those five districts. The third cause of action asserts a statewide cause of action, alleging that since 2009 the State has failed to "adopt appropriate policies, systems and mechanisms to properly implement the requirements of N.Y. Const. art. XI. § 1 and of the CFE decisions." This cause of action is not limited to the five districts.

Defendants filed a partial motion to dismiss the third cause of action in the Second Amended Complaint on April 9, 2018. On May 4, 2018, plaintiffs filed a Third Amended Complaint, which is identical to the Second Amended Complaint, but removed the third cause of action. Defendants' Answer to the Third Amended Complaint was filed on July 10, 2018, and a conference was held on September 13, 2018, during which the Supreme Court, New York County, set the following discovery deadlines: 1) discovery requests due September 30, 2018; 2) discovery responses due December 15, 2018; 3) depositions of named plaintiffs to be completed by March 15, 2019; 4) depositions of defendants to be completed by May 15, 2019; 5) fact discovery completed by September 16, 2019; expert discovery to be completed by November 15, 2019; 6) note of issue due by November 22, 2019; and 7) summary judgment motions due 120 days after note of issue.

On May 4, 2018, the case was reassigned from Hon. Manuel J. Mendez to Hon. Lucy Billings.

Canal System Financing

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

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

Plaintiffs' motion for class action certification was filed with the District Court on September 6, 2016. Defendants' response was filed on November 18, 2016 and plaintiffs' reply was filed February 3, 2017. In addition, on January 26, 2017, the Thruway Authority moved to dismiss for lack of subject matter jurisdiction based on Federal legislation authorizing the Thruway to use highway tolls for canal purposes. Plaintiffs' opposition to that motion was filed February 13, 2017 and defendants' reply was filed on February 16, 2017. Thereafter, all matters on the case were stayed pending the determination of the motion to dismiss - with discovery ongoing, a trial on the issue of damages had previously been scheduled to begin in March 2017. In addition, on February 1, 2017, counsel for plaintiffs filed a similar, companion action on behalf of the motor bus industry as a related case, Am. Bus Ass'n v. N.Y. Thruway Auth., 17-CV-0782 (SDNY).

On March 1, 2017, the Court entered a decision dismissing the complaint in the original matter under Fed. R. Civ. P. 12(c) for failure to state a cause of action, consistent with the Thruway Authority's motion to dismiss. The Court entered judgment in favor of defendants the same day. The Court also entered an order to show cause in the companion matter brought by the bus association, directing plaintiffs to indicate by March 20, 2017, why the similar matter should not be dismissed on the same grounds as the trucking lawsuit. The Court subsequently granted judgment in favor of defendants in the bus association case. Plaintiffs appealed in both the trucking association and bus association cases, and the two appeals were consolidated by the Second Circuit with the consent of both sides. Plaintiff's opening brief on appeal was filed June 26, 2017. Defendants' opposing brief was filed September 25, 2017. Plaintiffs' reply brief was filed on November 7, 2017. Argument was heard on January 25, 2018. On March 29, 2018, the Second Circuit affirmed the judgments in favor of defendants in both the trucking association and bus association cases. Plaintiffs' last day to petition the U.S. Supreme Court for a writ of certiorari was June 27, 2018. No petition was filed. These cases are now concluded.

Health Insurance Premiums

In NYSCOBPA v. Cuomo, 11-CV-1523 (NDNY) and ten other cases, state retirees, and certain current court employees, allege various claims, including due process and violation of the Contracts Clause of the United States Constitution, via 42 U.S. Code § 1983, against the Governor and other State officials, challenging the 2011 increase in their health insurance contribution.

In 2011, CSEA negotiated a two percent increase in the employee contribution to health insurance premiums. Over time, the other unions incorporated this term into their collective bargaining agreements. But in October 2011, the premium shift was administratively extended to unrepresented employees, retirees, and certain court employees pursuant to their contract terms (which provide that their health insurance terms are those of the majority of Executive Branch employees). The administrative extension is at issue.

Certain claims have been dismissed, including the claims against all State agencies and the personal capacity claims against all individual State defendants except Tricia Hite and Robert Megna.

Discovery is complete, and the State defendants filed motions for summary judgment in all eleven cases. In the motions, the State defendants argued primarily that nothing in the language of any of the collective bargaining agreements or in the negotiating history supports plaintiffs' claim that the health insurance premium contribution rate vested into retirement. With respect to the court employees, State defendants argued that their contract terms required extension of the premium shift to them. Briefing was completed on January 26, 2018.

On September 24, 2018, the District Court granted defendants' motions for summary judgment in all respects. Between October 13, 2018 and October 24, 2018, notices of appeal were filed in all eleven cases.

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Financial Plan Tables

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Financial Plan Tables

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2018 and projected receipts and disbursements for fiscal years 2019 through 2022 on a General Fund, State Operating Funds and All Governmental Funds basis.[31] The Updated Financial Plan projections for FY 2019 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps would be higher (or projected surpluses would be lower).

General Fund - Total Budget
- Financial Plan, Annual Change from FY 2018 to FY 2019
- Financial Plan Projections FY 2019 through FY 2022
- Update to FY 2019
- Update to FY 2020
- Update to FY 2021
- Update to FY 2022

General Fund - Receipts Detail (Excluding Transfers)
- Financial Plan Projections FY 2019 through FY 2022

State Operating Funds Budget
- FY 2019
- FY 2020
- FY 2021
- FY 2022

All Governmental Funds - Total Budget
- FY 2019
- FY 2020
- FY 2021
- FY 2022

Cashflow - FY 2019 Monthly Projections
- General Fund

[31] 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 Updated Financial Plan may reflect a net expenditure amount while OSC may report the gross amount of the 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, All Governmental funds).

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2018 Results	FY 2019 Mid-Year	Annual $ Change	Annual % Change
Opening Fund Balance	**7,749**	**9,445**	**1,696**	**21.9%**
Receipts:				
Taxes:				
Personal Income Tax	36,037	22,746	(13,291)	-36.9%
Consumption/Use Taxes	7,377	7,647	270	3.7%
Business Taxes	4,916	5,626	710	14.4%
Other Taxes	1,326	1,051	(275)	-20.7%
Miscellaneous Receipts	3,129	2,474	(655)	-20.9%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,909	23,620	12,711	116.5%
ECEP in Excess of Revenue Bond Debt Service	0	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,098	3,156	58	1.9%
Sales Tax in Excess of Revenue Bond Debt Service	2,763	2,642	(121)	-4.4%
Real Estate Taxes in Excess of CW/CA Debt Service	944	998	54	5.7%
All Other	921	2,835	1,914	207.8%
Total Receipts	**71,420**	**72,795**	**1,375**	**1.9%**
Disbursements:				
Local Assistance	46,072	51,013	4,941	10.7%
State Operations:				
Personal Service	6,136	8,812	2,676	43.6%
Non-Personal Service	2,092	3,038	946	45.2%
General State Charges	5,572	7,392	1,820	32.7%
Transfers to Other Funds:				
Debt Service	1,047	775	(272)	-26.0%
Capital Projects	2,191	2,635	444	20.3%
State Share of Mental Hygiene Medicaid	1,333	0	(1,333)	-100.0%
SUNY Operations	1,015	1,020	5	0.5%
Other Purposes	4,266	1,099	(3,167)	-74.2%
Total Disbursements	**69,724**	**75,784**	**6,060**	**8.7%**
Excess (Deficiency) of Receipts Over Disbursements	**1,696**	**(2,989)**	**(4,685)**	**-276.2%**
Closing Fund Balance	**9,445**	**6,456**	**(2,989)**	**-31.6%**
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	540	0	
Contingency Reserve	21	21	0	
Community Projects	46	33	(13)	
Reserved For				
Potential Labor Agreements	155	155	0	
Undesignated Fund Balance	1,905	0	(1,905)	
Debt Management	500	500	0	
Extraordinary Monetary Settlements	5,020	3,949	(1,071)	

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2019 Mid-Year	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts:				
Taxes:				
Personal Income Tax	22,746	24,559	25,103	26,326
Consumption/Use Taxes	7,647	7,913	8,185	8,464
Business Taxes	5,626	6,170	6,470	6,577
Other Taxes	1,051	1,110	1,173	1,238
Miscellaneous Receipts	2,474	2,028	2,001	1,883
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	23,620	24,646	25,053	25,813
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,156	3,293	3,542	3,810
Sales Tax in Excess of Revenue Bond Debt Service	2,642	2,677	2,428	2,591
Real Estate Taxes in Excess of CW/CA Debt Service	998	1,056	1,097	1,140
All Other	2,835	2,459	2,091	1,762
Total Receipts	**72,795**	**75,911**	**77,143**	**79,604**
Disbursements:				
Local Assistance	51,013	53,851	57,147	59,320
State Operations:				
Personal Service	8,812	9,001	9,506	9,437
Non-Personal Service	3,038	3,079	3,111	3,162
General State Charges	7,392	7,781	8,319	8,889
Transfers to Other Funds:				
Debt Service	775	823	904	747
Capital Projects	2,635	3,425	3,171	3,182
State Share of Mental Hygiene Medicaid	0	0	0	0
SUNY Operations	1,020	1,008	1,004	1,004
Other Purposes	1,099	1,080	1,158	1,299
Total Disbursements	**75,784**	**80,048**	**84,320**	**87,040**
Use (Reservation) of Fund Balance:				
Community Projects	13	26	7	0
Undesignated Fund Balance	1,905	0	0	0
Extraordinary Monetary Settlements	1,071	1,041	741	885
Total Use (Reservation) of Fund Balance	**2,989**	**1,067**	**748**	**885**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**(3,070)**	**(6,429)**	**(6,551)**
Adherence to 2% Spending Benchmark*	**0**	**2,668**	**5,431**	**6,235**
Net General Fund Surplus (Deficit)	**0**	**(402)**	**(998)**	**(316)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2019 Enacted	Change	FY 2019 First Quarter	Change	FY 2019 Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	22,746	0	22,746	0	22,746
Consumption/Use Taxes	7,647	0	7,647	0	7,647
Business Taxes	5,626	0	5,626	0	5,626
Other Taxes	1,051	0	1,051	0	1,051
Miscellaneous Receipts	2,127	295	2,422	52	2,474
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	23,714	0	23,714	(94)	23,620
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,156	0	3,156	0	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,757	0	2,757	(115)	2,642
Real Estate Taxes in Excess of CW/CA Debt Service	998	0	998	0	998
All Other	2,838	(15)	2,823	12	2,835
Total Receipts	**72,660**	**280**	**72,940**	**(145)**	**72,795**
Disbursements:					
Local Assistance	51,063	(15)	51,048	(35)	51,013
State Operations:					
Personal Service	8,691	35	8,726	86	8,812
Non-Personal Service	3,054	(7)	3,047	(9)	3,038
General State Charges	7,553	(28)	7,525	(133)	7,392
Transfers to Other Funds:					
Debt Service	827	0	827	(52)	775
Capital Projects	3,257	0	3,257	(622)	2,635
State Share of Mental Hygiene Medicaid	0	0	0	0	0
SUNY Operations	1,034	0	1,034	(14)	1,020
Other Purposes	1,122	0	1,122	(23)	1,099
Total Disbursements	**76,601**	**(15)**	**76,586**	**(802)**	**75,784**
Use (Reservation) of Fund Balance:					
Community Projects	29	0	29	(16)	13
Undesignated Fund Balance	1,905	0	1,905	0	1,905
Extraordinary Monetary Settlements	2,007	(295)	1,712	(641)	1,071
Total Use (Reservation) of Fund Balance	**3,941**	**(295)**	**3,646**	**(657)**	**2,989**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**0**	**0**	**0**	**0**	**0**
Adherence to 2% Spending Benchmark	**0**	**0**	**0**	**0**	**0**
Net General Fund Surplus (Deficit)	**0**	**0**	**0**	**0**	**0**

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2020 Enacted	Change	FY 2020 First Quarter	Change	FY 2020 Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	24,559	0	24,559	0	24,559
Consumption/Use Taxes	7,913	0	7,913	0	7,913
Business Taxes	6,170	0	6,170	0	6,170
Other Taxes	1,110	0	1,110	0	1,110
Miscellaneous Receipts	2,028	0	2,028	0	2,028
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	24,260	0	24,260	386	24,646
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,293	0	3,293	0	3,293
Sales Tax in Excess of Revenue Bond Debt Service	2,897	0	2,897	(220)	2,677
Real Estate Taxes in Excess of CW/CA Debt Service	1,056	0	1,056	0	1,056
All Other	2,254	(14)	2,240	219	2,459
Total Receipts	**75,540**	**(14)**	**75,526**	**385**	**75,911**
Disbursements:					
Local Assistance	53,918	(11)	53,907	(56)	53,851
State Operations:					
Personal Service	8,936	15	8,951	50	9,001
Non-Personal Service	3,129	(4)	3,125	(46)	3,079
General State Charges	8,098	(14)	8,084	(303)	7,781
Transfers to Other Funds:					
Debt Service	948	0	948	(125)	823
Capital Projects	3,567	0	3,567	(142)	3,425
State Share of Mental Hygiene Medicaid	0	0	0	0	0
SUNY Operations	1,025	0	1,025	(17)	1,008
Other Purposes	1,103	0	1,103	(23)	1,080
Total Disbursements	**80,724**	**(14)**	**80,710**	**(662)**	**80,048**
Use (Reservation) of Fund Balance:					
Community Projects	9	0	9	17	26
Extraordinary Monetary Settlements	1,148	0	1,148	(107)	1,041
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**1,157**	**(90)**	**1,067**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**0**	**(4,027)**	**957**	**(3,070)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**3,247**	**(579)**	**2,668**
Net General Fund Surplus (Deficit)	**(780)**	**0**	**(780)**	**378**	**(402)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2021 Enacted	Change	FY 2021 First Quarter	Change	FY 2021 Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	25,103	0	25,103	0	25,103
Consumption/Use Taxes	8,185	0	8,185	0	8,185
Business Taxes	6,470	0	6,470	0	6,470
Other Taxes	1,173	0	1,173	0	1,173
Miscellaneous Receipts	2,001	0	2,001	0	2,001
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	24,807	0	24,807	246	25,053
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,542	0	3,542	0	3,542
Sales Tax in Excess of Revenue Bond Debt Service	2,750	0	2,750	(322)	2,428
Real Estate Taxes in Excess of CW/CA Debt Service	1,097	0	1,097	0	1,097
All Other	1,816	(15)	1,801	290	2,091
Total Receipts	**76,944**	**(15)**	**76,929**	**214**	**77,143**
Disbursements:					
Local Assistance	57,009	(11)	56,998	149	57,147
State Operations:					
Personal Service	9,441	15	9,456	50	9,506
Non-Personal Service	3,173	(5)	3,168	(57)	3,111
General State Charges	8,618	(14)	8,604	(285)	8,319
Transfers to Other Funds:					
Debt Service	1,017	0	1,017	(113)	904
Capital Projects	3,292	0	3,292	(121)	3,171
State Share of Mental Hygiene Medicaid	0	0	0	0	0
SUNY Operations	1,021	0	1,021	(17)	1,004
Other Purposes	1,182	0	1,182	(24)	1,158
Total Disbursements	**84,753**	**(15)**	**84,738**	**(418)**	**84,320**
Use (Reservation) of Fund Balance:					
Community Projects	8	0	8	(1)	7
Extraordinary Monetary Settlements	855	0	855	(114)	741
Total Use (Reservation) of Fund Balance	**863**	**0**	**863**	**(115)**	**748**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**0**	**(6,946)**	**517**	**(6,429)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**5,548**	**(117)**	**5,431**
Net General Fund Surplus (Deficit)	**(1,398)**	**0**	**(1,398)**	**400**	**(998)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2022 Enacted	Change	FY 2022 First Quarter	Change	FY 2022 Mid-Year
Receipts:					
Taxes:					
Personal Income Tax	26,326	0	26,326	0	26,326
Consumption/Use Taxes	8,464	0	8,464	0	8,464
Business Taxes	6,577	0	6,577	0	6,577
Other Taxes	1,238	0	1,238	0	1,238
Miscellaneous Receipts	1,883	0	1,883	0	1,883
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	25,588	0	25,588	225	25,813
ECEP in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC Bond Debt Service	3,810	0	3,810	0	3,810
Sales Tax in Excess of Revenue Bond Debt Service	2,958	0	2,958	(367)	2,591
Real Estate Taxes in Excess of CW/CA Debt Service	1,140	0	1,140	0	1,140
All Other	1,762	(14)	1,748	14	1,762
Total Receipts	**79,746**	**(14)**	**79,732**	**(128)**	**79,604**
Disbursements:					
Local Assistance	59,472	(11)	59,461	(141)	59,320
State Operations:					
Personal Service	9,374	14	9,388	49	9,437
Non-Personal Service	3,205	(4)	3,201	(39)	3,162
General State Charges	9,140	(13)	9,127	(238)	8,889
Transfers to Other Funds:					
Debt Service	876	0	876	(129)	747
Capital Projects	2,897	0	2,897	285	3,182
State Share of Mental Hygiene Medicaid	0	0	0	0	0
SUNY Operations	1,021	0	1,021	(17)	1,004
Other Purposes	1,323	0	1,323	(24)	1,299
Total Disbursements	**87,308**	**(14)**	**87,294**	**(254)**	**87,040**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	605	0	605	280	885
Total Use (Reservation) of Fund Balance	**605**	**0**	**605**	**280**	**885**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**0**	**(6,957)**	**406**	**(6,551)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**6,470**	**(235)**	**6,235**
Net General Fund Surplus (Deficit)	**(487)**	**0**	**(487)**	**171**	**(316)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net General Fund Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASH RECEIPTS
GENERAL FUND
(millions of dollars)

	FY 2019 Mid-Year	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Taxes:				
Withholdings	41,782	43,033	44,024	46,144
Estimated Payments	16,221	18,157	17,802	18,960
Final Payments	2,599	2,748	2,908	3,032
Other Payments	1,500	1,564	1,601	1,671
Gross Collections	**62,102**	**65,502**	**66,335**	**69,807**
State/City Offset	(973)	(799)	(824)	(849)
Refunds	(10,719)	(10,751)	(10,501)	(11,502)
Reported Tax Collections	**50,410**	**53,952**	**55,010**	**57,456**
STAR (Dedicated Deposits)	(2,459)	(2,417)	(2,402)	(2,402)
RBTF (Dedicated Transfers)	(25,205)	(26,976)	(27,505)	(28,728)
Personal Income Tax	**22,746**	**24,559**	**25,103**	**26,326**
Sales and Use Tax	14,114	14,664	15,224	15,796
Cigarette and Tobacco Taxes	328	316	304	294
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	262	265	269	272
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	**14,704**	**15,245**	**15,797**	**16,362**
LGAC/STBF (Dedicated Transfers)	(7,057)	(7,332)	(7,612)	(7,898)
Consumption/Use Taxes	**7,647**	**7,913**	**8,185**	**8,464**
Corporation Franchise Tax	3,212	3,610	3,828	3,828
Corporation and Utilities Tax	530	537	541	547
Insurance Taxes	1,762	1,963	2,101	2,202
Bank Tax	122	60	0	0
Petroleum Business Tax	0	0	0	0
Business Taxes	**5,626**	**6,170**	**6,470**	**6,577**
Estate Tax	1,033	1,092	1,155	1,220
Real Estate Transfer Tax	1,178	1,231	1,267	1,305
Employer Compensation Expense Program	TBD	TBD	TBD	TBD
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	3	3	3	3
Gross Other Taxes	**2,229**	**2,341**	**2,440**	**2,543**
Real Estate Transfer Tax (Dedicated)	(1,178)	(1,231)	(1,267)	(1,305)
RBTF (Dedicated Transfers)	TBD	TBD	TBD	TBD
Other Taxes	**1,051**	**1,110**	**1,173**	**1,238**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**37,070**	**39,752**	**40,931**	**42,605**
Licenses, Fees, Etc.	670	692	676	676
Abandoned Property	450	450	450	450
Motor Vehicle Fees	269	285	280	210
ABC License Fee	66	66	62	68
Reimbursements	107	109	107	53
Investment Income	40	18	8	8
Extraordinary Settlements	443	0	0	0
Other Transactions	429	408	418	418
Miscellaneous Receipts	**2,474**	**2,028**	**2,001**	**1,883**
Federal Receipts	**0**	**0**	**0**	**0**
Total	**39,544**	**41,780**	**42,932**	**44,488**

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	**9,445**	**4,009**	**153**	**13,607**
Receipts:				
Taxes	37,070	6,137	33,321	76,528
Miscellaneous Receipts	2,474	17,578	498	20,550
Federal Receipts	0	1	74	75
Total Receipts	**39,544**	**23,716**	**33,893**	**97,153**
Disbursements:				
Local Assistance	51,013	15,687	0	66,700
State Operations:				
Personal Service	8,812	4,904	0	13,716
Non-Personal Service	3,038	2,704	47	5,789
General State Charges	7,392	1,018	0	8,410
Debt Service	0	0	5,520	5,520
Capital Projects	0	0	0	0
Total Disbursements	**70,255**	**24,313**	**5,567**	**100,135**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,251	2,123	3,599	38,973
Transfers to Other Funds	(5,529)	(1,160)	(31,906)	(38,595)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,722**	**963**	**(28,307)**	**378**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,989)	366	19	(2,604)
Closing Fund Balance	**6,456**	**4,375**	**172**	**11,003**

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	39,752	6,178	35,420	81,350
Miscellaneous Receipts	2,028	17,259	469	19,756
Federal Receipts	0	1	73	74
Total Receipts	**41,780**	**23,438**	**35,962**	**101,180**
Disbursements:				
Local Assistance	53,851	15,691	0	69,542
State Operations:				
Personal Service	9,001	4,989	0	13,990
Non-Personal Service	3,079	2,714	47	5,840
General State Charges	7,781	1,033	0	8,814
Debt Service	0	0	6,620	6,620
Capital Projects	0	0	0	0
Total Disbursements	**73,712**	**24,427**	**6,667**	**104,806**
Other Financing Sources (Uses):				
Transfers from Other Funds	34,131	2,101	3,607	39,839
Transfers to Other Funds	(6,336)	(1,084)	(32,874)	(40,294)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,795**	**1,017**	**(29,267)**	**(455)**
Use (Reservation) of Fund Balance:				
Community Projects	26	0	0	26
Extraordinary Monetary Settlements	1,041	0	0	1,041
Total Use (Reservation) of Fund Balance	**1,067**	**0**	**0**	**1,067**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(3,070)**	**28**	**28**	**(3,014)**
Adherence to 2% Spending Benchmark*	**2,668**	**0**	**0**	**2,668**
Net Surplus (Deficit)	**(402)**	**28**	**28**	**(346)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

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
Receipts:				
Taxes	40,931	6,201	36,265	83,397
Miscellaneous Receipts	2,001	16,674	469	19,144
Federal Receipts	0	1	73	74
Total Receipts	**42,932**	**22,876**	**36,807**	**102,615**
Disbursements:				
Local Assistance	57,147	15,519	0	72,666
State Operations:				
Personal Service	9,506	5,041	0	14,547
Non-Personal Service	3,111	2,724	47	5,882
General State Charges	8,319	1,077	0	9,396
Debt Service	0	0	7,121	7,121
Capital Projects	0	0	0	0
Total Disbursements	**78,083**	**24,361**	**7,168**	**109,612**
Other Financing Sources (Uses):				
Transfers from Other Funds	34,211	2,175	3,566	39,952
Transfers to Other Funds	(6,237)	(776)	(33,175)	(40,188)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,974**	**1,399**	**(29,609)**	**(236)**
Use (Reservation) of Fund Balance:				
Community Projects	7	0	0	7
Extraordinary Monetary Settlements	741	0	0	741
Total Use (Reservation) of Fund Balance	**748**	**0**	**0**	**748**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,429)**	**(86)**	**30**	**(6,485)**
Adherence to 2% Spending Benchmark*	**5,431**	**0**	**0**	**5,431**
Net Surplus (Deficit)	**(998)**	**(86)**	**30**	**(1,054)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

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	42,605	6,262	37,812	86,679
Miscellaneous Receipts	1,883	16,846	468	19,197
Federal Receipts	0	1	72	73
Total Receipts	**44,488**	**23,109**	**38,352**	**105,949**
Disbursements:				
Local Assistance	59,320	15,753	0	75,073
State Operations:				
Personal Service	9,437	4,956	0	14,393
Non-Personal Service	3,162	2,765	47	5,974
General State Charges	8,889	1,074	0	9,963
Debt Service	0	0	7,097	7,097
Capital Projects	0	0	0	0
Total Disbursements	**80,808**	**24,548**	**7,144**	**112,500**
Other Financing Sources (Uses):				
Transfers from Other Funds	35,116	2,305	3,236	40,657
Transfers to Other Funds	(6,232)	(434)	(34,372)	(41,038)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**28,884**	**1,871**	**(31,136)**	**(381)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	885	0	0	885
Total Use (Reservation) of Fund Balance	**885**	**0**	**0**	**885**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,551)**	**432**	**72**	**(6,047)**
Adherence to 2% Spending Benchmark*	**6,235**	**0**	**0**	**6,235**
Net Surplus (Deficit)	**(316)**	**432**	**72**	**188**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	**9,445**	**4,302**	**(1,151)**	**153**	**12,749**
Receipts:					
Taxes	37,070	6,137	1,395	33,321	77,923
Miscellaneous Receipts	2,474	17,780	7,426	498	28,178
Federal Receipts	0	60,003	2,433	74	62,510
Total Receipts	**39,544**	**83,920**	**11,254**	**33,893**	**168,611**
Disbursements:					
Local Assistance	51,013	71,553	5,246	0	127,812
State Operations:					
Personal Service	8,812	5,565	0	0	14,377
Non-Personal Service	3,038	4,113	0	47	7,198
General State Charges	7,392	1,364	0	0	8,756
Debt Service	0	0	0	5,520	5,520
Capital Projects	0	0	7,924	0	7,924
Total Disbursements	**70,255**	**82,595**	**13,170**	**5,567**	**171,587**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,251	2,135	2,982	3,599	41,967
Transfers to Other Funds	(5,529)	(3,334)	(1,360)	(31,906)	(42,129)
Bond and Note Proceeds	0	0	744	0	744
Net Other Financing Sources (Uses)	**27,722**	**(1,199)**	**2,366**	**(28,307)**	**582**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(2,989)**	**126**	**450**	**19**	**(2,394)**
Closing Fund Balance	**6,456**	**4,428**	**(701)**	**172**	**10,355**

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	39,752	6,178	1,412	35,420	82,762
Miscellaneous Receipts	2,028	17,461	6,516	469	26,474
Federal Receipts	0	61,070	2,229	73	63,372
Total Receipts	**41,780**	**84,709**	**10,157**	**35,962**	**172,608**
Disbursements:					
Local Assistance	53,851	73,407	5,383	0	132,641
State Operations:					
Personal Service	9,001	5,642	0	0	14,643
Non-Personal Service	3,079	4,124	0	47	7,250
General State Charges	7,781	1,362	0	0	9,143
Debt Service	0	0	0	6,620	6,620
Capital Projects	0	0	7,716	0	7,716
Total Disbursements	**73,712**	**84,535**	**13,099**	**6,667**	**178,013**
Other Financing Sources (Uses):					
Transfers from Other Funds	34,131	2,113	3,737	3,607	43,588
Transfers to Other Funds	(6,336)	(2,910)	(1,602)	(32,874)	(43,722)
Bond and Note Proceeds	0	0	779	0	779
Net Other Financing Sources (Uses)	**27,795**	**(797)**	**2,914**	**(29,267)**	**645**
Use (Reservation) of Fund Balance:					
Community Projects	26	0	0	0	26
Extraordinary Monetary Settlements	1,041	0	0	0	1,041
Total Use (Reservation) of Fund Balance	**1,067**	**0**	**0**	**0**	**1,067**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(3,070)**	**(623)**	**(28)**	**28**	**(3,693)**
Adherence to 2% Spending Benchmark*	**2,668**	**0**	**0**	**0**	**2,668**
Net Surplus (Deficit)	**(402)**	**(623)**	**(28)**	**28**	**(1,025)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

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
Receipts:					
Taxes	40,931	6,201	1,409	36,265	84,806
Miscellaneous Receipts	2,001	16,879	6,147	469	25,496
Federal Receipts	0	62,147	2,187	73	64,407
Total Receipts	**42,932**	**85,227**	**9,743**	**36,807**	**174,709**
Disbursements:					
Local Assistance	57,147	73,891	4,734	0	135,772
State Operations:					
Personal Service	9,506	5,720	0	0	15,226
Non-Personal Service	3,111	4,103	0	47	7,261
General State Charges	8,319	1,417	0	0	9,736
Debt Service	0	0	0	7,121	7,121
Capital Projects	0	0	7,473	0	7,473
Total Disbursements	**78,083**	**85,131**	**12,207**	**7,168**	**182,589**
Other Financing Sources (Uses):					
Transfers from Other Funds	34,211	2,187	3,433	3,566	43,397
Transfers to Other Funds	(6,237)	(2,529)	(1,598)	(33,175)	(43,539)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	**27,974**	**(342)**	**2,444**	**(29,609)**	**467**
Use (Reservation) of Fund Balance:					
Community Projects	7	0	0	0	7
Extraordinary Monetary Settlements	741	0	0	0	741
Total Use (Reservation) of Fund Balance	**748**	**0**	**0**	**0**	**748**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,429)**	**(246)**	**(20)**	**30**	**(6,665)**
Adherence to 2% Spending Benchmark*	**5,431**	**0**	**0**	**0**	**5,431**
Net Surplus (Deficit)	**(998)**	**(246)**	**(20)**	**30**	**(1,234)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

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	42,605	6,262	1,405	37,812	88,084
Miscellaneous Receipts	1,883	17,051	6,411	468	25,813
Federal Receipts	0	64,195	2,187	72	66,454
Total Receipts	**44,488**	**87,508**	**10,003**	**38,352**	**180,351**
Disbursements:					
Local Assistance	59,320	75,639	4,515	0	139,474
State Operations:					
Personal Service	9,437	5,637	0	0	15,074
Non-Personal Service	3,162	4,153	0	47	7,362
General State Charges	8,889	1,445	0	0	10,334
Debt Service	0	0	0	7,097	7,097
Capital Projects	0	0	7,696	0	7,696
Total Disbursements	**80,808**	**86,874**	**12,211**	**7,144**	**187,037**
Other Financing Sources (Uses):					
Transfers from Other Funds	35,116	2,317	3,420	3,236	44,089
Transfers to Other Funds	(6,232)	(2,153)	(1,479)	(34,372)	(44,236)
Bond and Note Proceeds	0	0	263	0	263
Net Other Financing Sources (Uses)	**28,884**	**164**	**2,204**	**(31,136)**	**116**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	885	0	0	0	885
Total Use (Reservation) of Fund Balance	**885**	**0**	**0**	**0**	**885**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,551)**	**798**	**(4)**	**72**	**(5,685)**
Adherence to 2% Spending Benchmark*	**6,235**	**0**	**0**	**0**	**6,235**
Net Surplus (Deficit)	**(316)**	**798**	**(4)**	**72**	**550**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2019 projections), assuming that the Governor continues to propose, and the Legislature continues to enact, an annual budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Net Surplus (Deficit)" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2019
(dollars in millions)

	2018 April Results	May Results	June Results	July Results	August Results	September Results	October Projected	November Projected	December Projected	2019 January Projected	February Projected	March Projected	Total
OPENING BALANCE	9,445	9,938	5,130	6,313	5,417	4,114	6,451	6,612	3,883	6,478	12,456	12,748	9,445
RECEIPTS:													
Personal Income Tax	2,928	1,092	2,476	1,450	1,487	2,398	1,273	826	2,375	3,108	1,759	1,574	22,746
Consumption/Use Taxes	544	580	799	598	595	765	585	586	760	628	522	685	7,647
Business Taxes	346	(120)	1,020	168	84	992	94	85	1,355	(107)	100	1,609	5,626
Other Taxes	52	82	71	99	74	123	114	88	87	87	87	87	1,051
Total Taxes	3,870	1,634	4,366	2,315	2,240	4,278	2,066	1,585	4,577	3,716	2,468	3,955	37,070
Abandoned Property	1	0	0	0	0	10	45	120	15	15	0	244	450
ABC License Fee	6	7	7	7	5	5	6	5	4	5	5	4	66
Investment Income	17	10	11	7	9	11	4	0	0	0	0	(29)	40
Licenses, Fees, etc.	51	43	58	63	67	36	71	45	68	70	50	48	670
Motor Vehicle Fees	30	25	13	2	35	3	23	25	30	26	30	27	269
Reimbursements	(17)	(54)	106	(5)	23	26	(90)	4	4	4	4	102	107
Extraordinary Settlements	108	74	205	15	0	0	40	0	0	0	0	1	443
Other Transactions	24	100	(17)	52	26	92	76	31	70	33	31	(89)	429
Total Miscellaneous Receipts	220	205	383	141	165	183	175	230	191	153	120	308	2,474
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	2,928	1,070	2,487	1,438	1,056	2,648	1,273	837	2,295	5,457	1,474	657	23,620
Tax in Excess of LGAC	249	218	405	275	250	355	269	268	355	285	244	(17)	3,156
Sales Tax Bond Fund	187	187	291	204	195	320	171	170	257	187	146	327	2,642
Real Estate Taxes in Excess of CW/CA Debt Service	74	92	88	82	105	78	71	85	75	87	85	76	998
All Other	101	81	86	68	172	109	115	121	109	146	210	1,517	2,835
Total Transfers from Other Funds	3,539	1,648	3,357	2,067	1,778	3,510	1,899	1,481	3,091	6,162	2,159	2,560	33,251
TOTAL RECEIPTS	7,629	3,487	8,106	4,523	4,183	7,971	4,140	3,296	7,859	10,031	4,747	6,823	72,795
DISBURSEMENTS:													
School Aid	1,113	3,526	1,566	371	648	1,617	888	1,623	2,071	505	746	8,469	23,143
Higher Education	25	43	267	1,154	61	178	37	110	220	70	347	545	3,057
All Other Education	42	46	51	300	463	32	89	313	154	43	331	455	2,319
Medicaid - DOH	1,523	1,924	1,381	1,133	1,977	1,203	1,214	1,346	680	1,052	704	176	14,313
Public Health	39	191	38	49	78	22	43	36	60	41	29	35	661
Mental Hygiene	150	36	323	149	43	330	142	48	315	143	140	356	2,175
Children and Families	12	35	41	102	109	216	149	242	127	242	147	265	1,687
Temporary & Disability Assistance	67	95	98	106	100	164	106	106	110	105	106	117	1,280
Transportation	46	69	61	47	32	0	0	24	11	0	13	1	304
Unrestricted Aid	0	11	388	2	0	101	7	4	185	1	1	65	765
All Other	18	43	84	35	69	38	34	111	124	161	186	406	1,309
Total Local Assistance	3,035	6,019	4,298	3,448	3,580	3,901	2,709	3,963	4,057	2,363	2,750	10,890	51,013
Personal Service	668	846	684	725	838	660	825	657	674	853	693	689	8,812
Non-Personal Service	164	282	221	182	228	210	219	291	256	281	301	403	3,038
Total State Operations	832	1,128	905	907	1,066	870	1,044	948	930	1,134	994	1,092	11,850
General State Charges	2,707	368	470	319	245	435	542	422	410	444	479	551	7,392
Debt Service	192	38	20	223	(100)	(63)	201	0	(2)	342	(25)	(51)	775
Capital Projects	54	468	818	333	622	454	(582)	440	(230)	(245)	242	261	2,635
State Share Medicaid	(29)	0	0	0	0	0	0	0	0	0	0	29	0
SUNY Operations	218	218	218	182	2	0	0	182	0	0	0	0	1,020
Other Purposes	127	56	194	7	71	37	65	70	99	15	15	343	1,099
Total Transfers to Other Funds	562	780	1,250	745	595	428	(316)	692	(133)	112	232	582	5,529
TOTAL DISBURSEMENTS	7,136	8,295	6,923	5,419	5,486	5,634	3,979	6,025	5,264	4,053	4,455	13,115	75,784
Excess/(Deficiency) of Receipts over Disbursements	493	(4,808)	1,183	(896)	(1,303)	2,337	161	(2,729)	2,595	5,978	292	(6,292)	(2,989)
CLOSING BALANCE	9,938	5,130	6,313	5,417	4,114	6,451	6,612	3,883	6,478	12,456	12,748	6,456	6,456

Source: NYS DOB.

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New York State
Annual Information Statement

July 2, 2018

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Introduction

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Introduction

This Annual Information Statement (AIS) is dated July 2, 2018 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 20, 2017 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 2019 (FY 2019)[1] Enacted Budget Financial Plan (the "Enacted Budget Financial Plan"), issued by the Division of the Budget (DOB) in May 2018. The Enacted Budget Financial Plan sets forth the State's official financial projections for FY 2019 through FY 2022. It includes, among other things, information on the major components of the FY 2019 General Fund gap-closing plan, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State's operating funds. While the disclosure contained in this AIS is derived from the Enacted Budget Financial Plan, this AIS contains certain updates to information set forth in the Enacted Budget Financial Plan which are not deemed by DOB to materially change the projections contained in the Enacted Budget Financial Plan. DOB next expects to update the State's multi-year financial projections in July 2018 with the First Quarterly Update to the Financial Plan.

2. Note that the Enacted Budget Financial Plan projections do not reflect approximately $294 million in recent monetary settlements between the Department of Financial Services (DFS) and major financial and other institutions, which are described under the heading "Financial Plan Overview – Extraordinary Monetary Settlements". A discussion of issues and risks that may affect the State's financial projections during the current fiscal year or in future years (under the heading "Financial Plan Overview — Other Matters Affecting the Financial Plan").

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

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

DOB is responsible for preparing the State's Enacted Budget 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).

[1] The State fiscal year is identified by the calendar year in which it ends. For example, FY 2019 is the fiscal year that began on April 1, 2018 and ends on March 31, 2019.

In particular, information contained in the section entitled “State Retirement System” has been furnished by OSC, while information relating to matters described in the section entitled “Litigation” 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 inclusion in this AIS of forecasts, projections, and estimates should not be regarded as a representation that such forecasts, projections, and estimates will occur. The forward-looking statements contained herein are based on the State's expectations 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 in this AIS. Any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially and adversely from 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; impediments to the implementation of gap-closing actions; regulatory initiatives and compliance with governmental regulations; litigation; actions by the Federal government to reduce or disallow expected aid, including Federal aid authorized or appropriated by Congress but subject to sequestration, administrative actions, or other actions that would reduce aid to the State; and various other events, conditions and circumstances. Many of 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 2018 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, 2018 is expected to be completed by July 29, 2018. 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, 2018. These reports will contain the final FY 2018 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 2017 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

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

Usage Notice

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

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

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 in this AIS is presented on a cash basis of accounting.

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

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

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

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

Funds perspective. The State's adherence to a 2 percent annual spending growth benchmark is calculated on the State Operating Funds basis.

As described later in this AIS, the Enacted Budget Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending accounted for in the State Operating Funds basis of reporting. These include but are not limited to: (i) realignment of certain operating costs to the capital budget to provide greater consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; (iii) the restructuring of the School Tax Relief (STAR) program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; (iv) appropriation of certain operating costs for the Department of Transportation (DOT) and Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTF, a change which will increase reported disbursements from State Operating Funds; and (v) an amendment to the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that receipts payable to the Metropolitan Transportation Authority (MTA) be appropriated by the State Legislature, a change which is intended to improve credit quality of MTA bonds that may be secured by the PMT, and has the effect of lowering State Operating Funds receipts and disbursements. In general, if these and other transactions are not executed or reported in a manner consistent with DOB's interpretation of legislation included with the FY 2019 Enacted Budget (the "Enacted Budget"), then the annual spending growth in State Operating Funds would be higher than Enacted Budget Financial Plan projections.

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

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. It is not used by DOB as a benchmark for managing State finances during the fiscal year, nor updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements, but there can be no assurance that the pro forma GAAP financial plan conforms to all GAAP principles.

The Enacted Budget Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on many assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Enacted Budget Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, considering the current and projected fiscal position of the State.

The Enacted Budget Financial Plan projections for FY 2020 and thereafter reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in the Enacted Budget Financial Plan, to no greater than 2 percent. Total disbursements in the tables and narrative contained in this AIS do not reflect these assumed savings, which are reflected instead on a distinct line and labeled “Adherence to 2% Spending Benchmark.” Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

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 Enacted Budget Financial Plan may reflect a net expenditure amount while OSC may report the gross amount of the 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).

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Financial Plan Overview

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Financial Plan Overview

The following table provides certain Financial Plan information for FY 2018 and FY 2019.

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

	FY 2018		FY 2019	
	Revised[1]	Results	Executive Amended[2]	Enacted
State Operating Funds Disbursements				
Size of Budget	$98,126	$98,151	$99,977	$100,135
Annual Growth	2.0%	2.0%	1.9%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)[3]	$60,343	$59,872	$62,890	$70,361
Annual Growth	4.1%	3.2%	5.0%	17.5%
General Fund (Including Transfers)[3,4]	$70,023	$69,724	$74,232	$76,601
Annual Growth	2.9%	2.4%	6.5%	9.9%
Capital Budget (Federal and State)	$12,675	$10,640	$14,490	$14,474
Annual Growth	24.8%	4.8%	36.2%	36.0%
Federal Operating Aid	$53,636	$54,953	$53,718	$55,673
Annual Growth	5.9%	8.5%	-2.2%	1.3%
All Funds[5]	$164,437	$163,744	$168,185	$170,282
Annual Growth	4.7%	4.3%	2.7%	4.0%
Capital Budget (Including "Off-Budget" Capital)[6]	$13,359	$11,284	$15,165	$15,146
Annual Growth	24.4%	5.1%	34.4%	34.2%
All Funds (Including "Off-Budget" Capital)[6]	$165,121	$164,388	$168,860	$170,954
Annual Growth	4.8%	4.3%	2.7%	4.0%
Inflation (CPI)	2.0%	2.1%	2.2%	2.3%
All Funds Receipts				
Taxes	$78,952	$79,266	$77,429	$77,923
Annual Growth	6.2%	6.6%	-2.3%	-1.7%
Miscellaneous Receipts	$27,829	$27,262	$27,899	$28,005
Annual Growth	4.6%	2.5%	2.3%	2.7%
Federal Receipts (Operating and Capital)	$57,777	$58,942	$57,878	$60,083
Annual Growth	4.3%	6.4%	-1.8%	1.9%
Total Receipts[5]	$164,558	$165,470	$163,206	$166,011
Annual Growth	5.2%	5.8%	-1.4%	0.3%
General Fund Cash Balance	$9,167	$9,445	$5,120	$5,504
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798
Extraordinary Monetary Settlements	$4,749	$5,020	$2,646	$3,013
All Other Reserves/Fund Balances	$2,620	$2,627	$676	$693
Debt				
Debt Service as % All Funds Receipts	3.9%	4.0%	3.5%	3.3%
State-Related Debt Outstanding	$51,970	$51,631	$55,182	$54,964
Debt Outstanding as % Personal Income	4.3%	4.3%	4.3%	4.3%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,512	117,397	118,705	118,868

[1] FY 2018 "Revised" estimates reflect the estimates in the FY 2019 Executive Budget, as amended.

[2] The annual percentage change calculations in the FY 2019 "Executive Amended" column have been updated to reflect FY 2018 results.

[3] FY 2019 Enacted Budget for the General Fund, with and without transfers, excludes the reclassification to the General Fund of mental hygiene funds from Special Revenue Funds, and certain DOT and DMV operating expenses from the Dedicated Highway and Bridge Trust Fund.

[4] Annual growth includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

[5] All Funds disbursements are expected to exceed receipts (including other financing sources) in FY 2019 with the difference funded from other available resources, including Extraordinary Monetary Settlements and GO bond proceeds used to reimburse planned first-instance capital spending.

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

Budget Negotiations and Subsequent Events

The Governor submitted the Executive Budget proposal to the Legislature on January 16, 2018, and amendments to it on February 16, 2018, in accordance with statutory requirements. In developing the FY 2019 Executive Budget, as proposed in January 2018 and amended in February 2018 (the "Executive Budget"), DOB estimated that the State faced a potential budget gap[2] of approximately $4.4 billion for FY 2019. DOB estimated that, if enacted without modification, the Executive Budget Financial Plan would have provided for balanced operations in the General Fund, as required by law, and limited annual growth in State Operating Funds spending to 2 percent.

Legislative Action on the Executive Budget

By March 30, 2018, the Legislature had voted to approve the appropriations and accompanying legislation that comprise the Enacted Budget. Consistent with past practice, the Legislature enacted the annual debt service appropriations on March 22, 2018 in advance of other appropriations. The Governor completed his review of all FY 2019 budget bills, including exercising his line-item veto of certain appropriations added by the Legislature, on April 13, 2018.

During budget negotiations, the Governor and Legislature agreed to $1.1 billion of new costs for General Fund additions, spending restorations, and tax law changes to the Executive Budget.[3] The Enacted Budget Financial Plan includes savings and resources in FY 2019 that DOB estimates will be sufficient to fund the negotiated additions, restorations, and tax law changes to the Executive Budget, as well as to fully cover the new costs.

DOB estimates that the Enacted Budget is balanced on a cash basis in the General Fund, as required by law, and limits the expected annual growth in State Operating Funds spending to 2 percent.[4] Enacted Budget Financial Plan projections reflect changes to the Executive Budget proposal made during negotiations, updated data on economic activity and tax receipts, and operating results for FY 2018.

[2] Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The estimates are based on many assumptions and projections developed by the DOB in consultation with State agencies.

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

[4] As State Operating Funds is currently constituted, including changes enacted with the FY 2019 Budget that affect the calculation of annual spending.

The following table summarizes the multi-year impact of the Enacted Budget on General Fund operations. The table begins with the initial "base level" budget gaps (i.e., the gaps projected prior to the submission of the Executive Budget[5]) and ends with the Enacted Budget surplus/(gap) projections.

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
FY 2019 ENACTED BUDGET
GAP-CLOSING PLAN
(millions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(4,443)**	**(6,385)**	**(8,053)**	**(8,413)**
Spending Changes	**1,951**	**1,010**	**607**	**925**
Local Assistance	1,242	1,479	1,056	1,540
Agency Operations	68	(79)	(146)	(280)
Debt Management/Capital Projects	557	(55)	8	(16)
FY 2018 Payment of FY 2019 Expenses	594	0	0	0
Legislative Initiatives[2]	(510)	(335)	(311)	(319)
Resource Changes	**1,887**	**743**	**279**	**435**
Revenue Actions	**605**	**605**	**221**	**96**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE[1]	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[3]	**0**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**(780)**	**(1,398)**	**(487)**

1 Before actions to adhere to the 2 percent benchmark.

2 Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes" and "Revenue Actions" categories.

3 Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

The Enacted Budget Financial Plan projects potential General Fund budget gaps of $4.0 billion in FY 2020, $6.9 billion in FY 2021, and $7.0 billion in FY 2022. The outyear gaps are affected by the expiration of the top PIT rate (taxable incomes exceeding $1,077,550 for single filers and more than $2,155,350 for married couples filing jointly) of 8.82 percent at the end of tax year 2019, which is scheduled to drop to 6.85 percent absent legislative action. However, DOB estimates that if future budgets hold spending growth to 2 percent annually in State Operating Funds, the General Fund would have potential budget gaps of $780 million in FY 2020, $1.4 billion in FY 2021, and $487 million in FY 2022. These calculations assume that all savings from the reductions in spending are made available to the General Fund. The spending benchmark is calculated on a cash basis, as described elsewhere in this AIS, and based on the current composition of the State Operating Funds.

[5] Projected as of the FY 2018 Mid-Year Update to the Financial Plan, dated November 2017.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 2 percent from FY 2018 to FY 2019, consistent with the 2 percent spending growth benchmark. The table below illustrates major sources of annual change in State spending by major program, purpose and fund perspective.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**65,604**	**66,752**	**1,148**	**1.7%**
School Aid (School Year Basis)	25,639	26,553	914	3.6%
DOH Medicaid[1]	19,143	20,358	1,215	6.3%
Transportation[2]	5,025	3,961	(1,064)	-21.2%
STAR[3]	2,589	2,459	(130)	-5.0%
Social Services	2,837	2,972	135	4.8%
Higher Education	2,833	3,065	232	8.2%
Mental Hygiene	2,350	2,257	(93)	-4.0%
All Other[4]	5,188	5,127	(61)	-1.2%
STATE OPERATIONS/GENERAL STATE CHARGES	**26,674**	**28,001**	**1,327**	**5.0%**
State Operations	**18,821**	**19,459**	**638**	**3.4%**
Personal Service:	13,170	13,542	372	2.8%
Executive Agencies	7,314	7,375	61	0.8%
DOT/DMV Operations Reclassification	0	167	167	0.0%
University Systems	3,806	3,921	115	3.0%
Elected Officials	2,050	2,079	29	1.4%
Non-Personal Service:	5,651	5,917	266	4.7%
Executive Agencies	2,690	2,817	127	4.7%
DOT/DMV Operations Reclassification	0	115	115	0.0%
University Systems	2,377	2,382	5	0.2%
Elected Officials	584	603	19	3.3%
General State Charges	**7,853**	**8,542**	**689**	**8.8%**
Pension Contribution	2,442	2,469	27	1.1%
Health Insurance	3,963	4,286	323	8.2%
Other Fringe Benefits/Fixed Costs	1,448	1,787	339	23.4%
DEBT SERVICE	**5,873**	**5,382**	**(491)**	**-8.4%**
TOTAL STATE OPERATING FUNDS	**98,151**	**100,135**	**1,984**	**2.0%**
Capital Projects (State and Federal Funds)	**10,640**	**14,474**	**3,834**	**36.0%**
Federal Operating Aid	**54,953**	**55,673**	**720**	**1.3%**
TOTAL ALL GOVERNMENTAL FUNDS	**163,744**	**170,282**	**6,538**	**4.0%**

[1] Total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.

[2] The FY 2019 amount does not include the MTA PMT because the Enacted Budget provides that the PMT will be remitted to MTA without an appropriation beginning in FY 2019.

[3] The FY 2018 Enacted Budget converted the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2018 Through 2022" herein.

[4] "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State fiscal year basis, School Aid is estimated to total $26.5 billion in FY 2019, an increase of $1 billion from FY 2018. It also includes the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund ($435 million in FY 2019) and therefore reduces reported disbursements. Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety, as well as reclassifications.

Impact of 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 are effective in the 2018 tax year. The new Federal tax law makes 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. The changes to the Federal tax code will have significant flow-through effects on state tax burdens and state tax receipts. From the standpoint of individual New York State taxpayers, one of the most onerous provisions in the TCJA is a new $10,000 limit on the deductibility of State and Local Tax (SALT) payments, effective for tax year 2018. The TCJA's SALT 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.

DOB and the Department of Taxation and Finance (DTF) estimate that the SALT limit raises Federal tax liability for New York taxpayers by $14.3 billion for tax year 2018, relative to what taxpayers would have paid absent the limitation. Over the course of the eight years the SALT 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 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 limit is the most significant. A loss of wealth associated with a decline in home prices could have a statistically 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 erode the value of home prices, thereby posing risks to the State's tax base.

State Response to Federal Tax Law Changes

The Enacted Budget includes State tax reforms intended to mitigate issues arising from the Federal law, including decoupling many State tax provisions from the Federal changes, the creation of an optional payroll tax program, and the establishment of a new State charitable giving vehicle, all of which are described below. The State is evaluating other tax law changes in response to the TCJA, including the feasibility of an unincorporated business tax.

In addition, the State, Connecticut, Maryland, and New Jersey (the "Plaintiff States") intend to file a lawsuit seeking declaratory and injunctive relief to invalidate the SALT limit. The Plaintiff states are expected to contend that the new limits on SALT deductibility violate the intent of the Sixteenth Amendment to the United States Constitution and subsequent Congressional enactments, as well as state sovereignty, guaranteed by the Tenth Amendment of the United States Constitution.

Decoupling From Federal Tax Code

The State tax code is closely aligned in many respects with the Federal tax code. The Enacted Budget includes legislation that decouples the State tax code from the Federal tax code, where appropriate, to minimize roughly $1 billion in State tax increases that would otherwise have been the result of the Federal tax changes. Those decoupled Federal changes, which would have affected the General Fund budget gaps projected in FY 2020 and beyond, include:

- **Federal Limit on SALT.** The TCJA capped the itemized deduction for SALT at $10,000. The State tax code is updated to decouple from this limit, preventing a State tax increase from the linkage of this Federal limit to State income tax returns.

- **Federal Changes and Eliminations to Certain Deductions.** The State decoupled from new Federal limits on other deductions.

- **Temporary Federal Medical Expense Deduction Increase.** Federal changes impose a two-year increase in the itemized medical expense deduction, thereby lowering taxpayer liability. The State has not changed its tax code.

- **Child Tax Credit.** Federal law changes the value of, and eligibility for, the child tax credit. The Empire State Child Tax Credit program will remain unchanged.

- **New York Single Filer Standard Deduction.** The Federal repeal of personal exemptions would have eliminated the ability of New York single-filer taxpayers to claim the standard deduction on their State tax returns. The Enacted Budget includes legislation to address this issue. Absent this legislation, New York State taxpayers would have been subject to an annual State tax increase of $840 million, beginning in FY 2020.

Employer Compensation Expense Program (ECEP)

Under legislation approved with the Enacted Budget, employers may opt in to a new ECEP, which is intended to mitigate the tax burden for employees affected by the SALT 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.

Employers that elect to participate in the ECEP program would 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 2020, and 5 percent in 2021. Employers must elect to participate in the ECEP for the upcoming tax year by December 1 of the preceding calendar year, with the first annual election due by December 1, 2018 for the tax year beginning on January 1, 2019.

The ECEP is intended to be revenue neutral, with any decrease in New York State PIT receipts expected to be offset by a comparable increase in ECEP revenue. Remittance of ECEP revenue to the State is expected to occur on the same schedule as PIT withholdings, with remittances starting in the fourth quarter of FY 2019. A new State PIT credit will be 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.

DOB expects to include information on actual ECEP participation by the third quarterly update to the Financial Plan, as information on employer elections becomes available.

State Charitable Gifts Trust Fund

The Enacted Budget authorizes the creation of a new State Charitable Gifts Trust Fund, which will accept gifts, starting in tax year 2018, for the purposes of improving health care and education in New York State. Taxpayers who itemize deductions may claim these charitable gifts as deductions on their Federal and State income tax returns. Any taxpayer making 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.[6] Amounts on deposit in the Charitable Gifts Trust Fund at the close of 2018 are expected to be appropriated for authorized purposes in the FY 2020 Budget.

The Enacted Budget Financial Plan does not include any estimates for charitable gifts. DOB expects to include information on charitable gifts in future Financial Plan updates, once activity on donations can be observed. See the discussion below under “Impact of Tax Law Changes on PIT Revenue Bonds” including stress test projections on such impact, based upon various assumed levels of State taxpayer charitable gift payments under this change in State law.

[6] The Enacted Budget also provides that the SUNY Research Foundation, the CUNY Research Foundation, and Health Research, Inc. may accept up to $10 million each in charitable gifts on an annual basis. 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.

Impact of 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 the State Charitable Gifts Trust Fund, the Enacted Budget amends the State Finance Law provisions creating the Revenue Bond Tax Fund to increase the percentage of New York State PIT receipts required to be deposited upon receipt in the Revenue Bond Tax Fund from 25 percent to 50 percent. In addition, the legislation that created the ECEP requires that 50 percent of ECEP receipts received by the State be deposited to the Revenue Bond Tax Fund. These changes became effective April 1, 2018.

The amendments also increase the amount of all New York State PIT receipts collected from payroll withholding and ECEP receipts that must be deposited in the Revenue Bond Tax Fund in the event that (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 Financing Agreement 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 Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund 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 will be deposited to 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 PIT receipts and ECEP receipts or $12 billion.

Donations to the Charitable Gifts Trust Fund could reduce State PIT receipts by nearly one dollar for every dollar donated. Accordingly, the amount of donations to the State Charitable Gifts Trust Fund is the principal direct risk to the amount of New York State PIT receipts deposited to the Revenue Bond Tax Fund under the tax law changes enacted by the State as part of the Enacted Budget. To address this risk, the State increased the amount of PIT receipts deposited into the Revenue Bond Tax Fund from 25 percent to 50 percent.

DOB and DTF have prepared a calculation of the maximum amount of charitable donations to the State Charitable Gifts Trust Fund that could occur annually under varying assumptions. The calculation of this ceiling is intended as a stress test on State PIT receipts that may flow to the Revenue Bond Tax Fund under different levels of assumed taxpayer participation. It should not, under any circumstances, be viewed either as an estimate or projection of likely donations. The factors that may influence donation activity are complex and include, but are not limited to, possible statements, actions, or interpretive guidance by the Internal Revenue Service (IRS) or other governmental actors 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 ceiling on the amount of potential donations is calculated to be in the range of $28 billion annually, on average (2018 through 2022).[7] The calculation of the ceiling 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 personal income tax population study file (2015), 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) DOB projections of the level of State taxpayer liability for the forecast period as set forth in the Enacted Budget Financial Plan are materially accurate.

IRS Guidance

On May 23, 2018, the IRS issued Notice 2018-54 (the "IRS Guidance"), which advised that the Department of the Treasury and the IRS intend to propose regulations addressing recent state and local legislative proposals or enactments (such as Charitable Gifts Trust Fund provisions) that are intended to allow taxpayers to make transfers to funds controlled by state or local governments, to characterize such transfers as fully deductible charitable contributions for Federal income tax purposes, and to use the same transfers to satisfy state or local tax liabilities. The IRS Guidance characterized such proposals as "efforts to circumvent the new statutory limitation on state and local tax deductions," and cautioned that "taxpayers should be mindful that Federal law controls the proper characterization of payments for Federal income tax purposes.".

[7] The calculation of maximum potential donations is based on current law, including the scheduled reversion of the top PIT rate to 6.85 percent starting in tax year 2020.

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

Potential Effect of Contributions to the State Charitable Gifts Trust Fund on Revenue Bond Tax Fund Receipts
State Fiscal Years 2019 through 2022[3]
(Dollars in Billions)

	FY 2019	FY 2020	FY 2021	FY 2022
Revenue Bond Tax Fund Receipts, Prior Law	$12.6	$13.5	$13.8	$14.4
Revenue Bond Tax Fund Receipts, Current Law	25.2	27.0	27.5	28.7
RBTF Receipts After Charitable Gifts[1,2]				
100% Participation[4]	21.1	14.3	14.6	16.1
75% Participation	22.2	17.5	17.8	19.3
50% Participation	23.2	20.7	21.1	22.4
25% Participation	24.2	23.8	24.3	25.6
10% Participation	24.8	25.7	26.2	27.5

NOTE: The calculation of the maximum amount of donations is intended as a stress test on PIT receipts that may flow to the Revenue Bond Tax Fund under certain conditions. It should not under any circumstances be viewed either as an estimate or projection of likely donations.

1. RBTF Receipts After Charitable Gifts reflects a State income tax deduction for the tax year that the charitable donation is made (assumes an average Personal Income Tax rate of 7% for tax years 2018 and 2019, and 6.3% thereafter), and an 85% State tax credit in the following tax year.
2. *Cap on State income tax deductions.* This table assumes that all charitable gifts are associated with a reduction in PIT receipts equal to a uniform percentage of the dollar value of the charitable gift (7% for tax years 2018 and 2019, and 6.3% thereafter). In practice, the State deduction for charitable giving is capped for high-income filers. Individuals with a State Adjusted Gross Income (AGI) of $1 million or more may claim 50% of their Federal charitable deduction on their State return, while individuals with a State AGI of $10 million or more may claim 25% of their Federal deduction. Under current statute, the 25% cap expires (reverts to 50%) after tax year 2019. Assumptions about the average State income tax rate and the cap on charitable deductions for high-income filers do not have a material impact on conclusions drawn from this model.
3. *Timing assumptions.* The values in this table assume that taxpayers adjust withholdings and estimated payments in anticipation of a decrease in their PIT liability.
The values are based on the assumption that PIT is remitted and collected in real-time as taxable income is earned (rather than as quarterly payments due in April, July, October, and January). This assumption likely overstates the speed and efficiency with which taxpayers could actually adjust PIT remittances. In practice, inefficiencies would likely result in slightly higher receipts to the Revenue Bond Tax Fund than shown in the table. For example, a taxpayer making a charitable gift for the 2019 Tax Year in December 2019 is assumed to have reduced withholdings and estimated payments remitted during Calendar Year 2019 by the expected decrease in liability associated with the income deduction for charitable giving that the taxpayer will claim on his or her 2019 tax return (due in April 2020). This lowers State PIT receipts in the last quarter of FY 2019 and the first three quarters of FY 2020. The taxpayer is then assumed to reduce withholdings and estimated payments remitted during tax Year 2020 by an amount equal to 85% of the charitable gift, in anticipation of the credit the taxpayer will claim on his or her 2020 tax return (due in April 2021). This lowers State PIT receipts in the last quarter of FY 2020 and the first three quarters of FY 2021.
PIT receipts are assumed to flow evenly throughout the Fiscal Year.
4. 100% Participation shows Revenue Bond Tax Fund receipts assuming the maximum level of charitable giving calculated by DOB and DTF. For further illustration of the range of possible outcomes, subsequent rows show Revenue Bond Tax Fund receipts if charitable gifts equal 75%, 50%, 25%, and 10% of the maximum dollar value of charitable giving.

In general, taxpayer behavior is simplified using assumptions that maximize the impact of charitable giving on PIT receipts in each year. After these adjustments and with inclusion of ECEP revenues, receipts to the Revenue Bond Tax Fund are projected to remain above the level of receipts that would have been expected under statute effective prior to enactment of the FY 2019 budget, even in a maximum participation scenario.

The DOB and DTF calculation of the projected ceiling on the amount of donations is necessarily based on many assumptions that may turn out to be inaccurate, or that might change materially over time, or both. 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 Revenue Bond Tax Fund below the levels projected in the Enacted Budget Financial Plan. 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 Revenue Bond Tax Fund.

Accordingly, although the calculation of a maximum amount reflects DOB's and DTF's current best judgment and estimates, such amount may be higher.

Implementation

The State developed the 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.

The Enacted Budget allows 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 DTF within 60 days of making an interest payment to the IRS.

There could be a material expense to the State 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 Enacted Budget Financial Plan from 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.

The Enacted Budget Financial Plan does not include any estimate of the magnitude of the possible interest expense to the State, which depends on several factors, including: rates of participation in the ECEP; the magnitude of donations to the State 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. 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.

General Fund Cash-Basis Financial Plan

Enacted Budget Financial Plan

The General Fund is affected by two fund reclassifications approved in the Enacted Budget. The changes have no net impact on General Fund operations, but change the reporting of receipts and disbursements in total and among spending categories.

- **Mental Hygiene Fund Reclassification.** Spending from two State Special Revenue Fund accounts, the Mental Hygiene Program Fund and Patient Income Account, is reclassified to the General Fund to improve reporting transparency by eliminating large transfers between funds. The reclassification moves local assistance and operations spending, as well as the supporting revenue, into the General Fund, and eliminates transfers from the General Fund to the two Mental Hygiene State Special Revenue Fund accounts. In addition, roughly $1.4 billion of fringe benefit spending associated with Mental Hygiene agencies will move from the respective agencies to the central General State Charges (GSCs) budget.

- **DOT/DMV Operating Cost Reclassification.** Certain DOT and DMV operating costs related to snow and ice removal, bus, truck and rail inspection, and DMV regulatory activities are reclassified from the DHBTF to the General Fund. In the General Fund, the increased operating spending is offset by an identical reduction in the transfer to the DHBTF. The reclassification is intended to align operating and capital functions with their revenue sources.

The reclassifications affect the comparability of FY 2018 results to FY 2019 estimates. In addition, General Fund receipts and disbursements continue to be affected by the receipt and use of Extraordinary Monetary Settlements. The following table adjusts for the impact of the reclassifications and Extraordinary Monetary Settlements. Unless otherwise noted, the discussions of receipts and disbursements that follow the table exclude (a) the receipts and use of Extraordinary Monetary Settlements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019. See "State Financial Plan Projections Fiscal Years 2018 Through 2022 - Financial Plan Tables" herein for the unadjusted plan.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2018 Results	FY 2019 Adjusted	MH Reclass	DOT/DMV Reclass	FY 2019 Enacted	Adjusted Annual Change Dollar	Adjusted Annual Change Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,414	4,425	0	0	4,425	2,011	83.3%
Total Receipts	70,642	71,536	986	30	72,552	894	1.3%
Taxes	67,370	67,695	0	0	67,695	325	0.5%
Miscellaneous Receipts/Federal Grants [1]	2,351	2,155	(166)	30	2,019	(196)	-8.3%
Transfers from Other Funds	921	1,686	1,152	0	2,838	765	83.1%
Total Disbursements	69,323	73,853	986	30	74,869	4,530	6.5%
Local Assistance	46,072	49,353	1,710	0	51,063	3,281	7.1%
State Operations	13,800	14,835	4,075	388	19,298	1,035	7.5%
Transfers to Other Funds [2]	9,451	9,665	(4,799)	(358)	4,508	214	2.3%
Net Change in Operations	1,319	(2,317)	0	0	(2,317)	(3,636)	-275.7%
General Fund Use of Extraordinary Monetary Settlements[3]	692	383			383	(309)	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) [2]	4,425	2,491	0	0	2,491	(1,934)	-43.7%
Extraordinary Monetary Settlements							
Opening Balance	5,335	5,020			5,020	(315)	-5.9%
New Settlements Received[4]	805	183			183	(622)	-77.3%
Transfers/Uses	(1,120)	(2,190)			(2,190)	(1,070)	-95.5%
Closing Balance (Extraordinary Monetary Settlements)	5,020	3,013			3,013	(2,007)	-40.0%
Closing Fund Balance (Including Extraordinary Monetary Settlements)	9,445	5,504			5,504	(3,941)	-41.7%

[1] Excludes the Extraordinary Monetary Settlements received by the General Fund, except those amounts retained by the Department of Law in other funds to support operational costs.

[2] Excludes the use of Extraordinary Monetary Settlements to support transfers from the General Fund to other funds (e.g., Dedicated Infrastructure Investment Fund).

[3] FY 2018: $461 million for operations, $76 million for an unbudgeted litigation payment, and $155 million set aside to fund potential retroactive salary increases. FY 2019: $383 million expected to be used for operations.

[4] Includes the gross value of all settlements received by the State, including funds retained by the Department of Law in other funds to support operational costs.

Receipts[8]

General Fund receipts, including transfers from other funds, are projected to total $71.5 billion in FY 2019, an increase of $894 million (1.3 percent) from FY 2018 results. The annual change is impacted by the shift of an estimated $1.9 billion of receipts from FY 2019 into FY 2018 due to Federal Tax Cuts and Jobs Act (TCJA) and the payment of approximately $500 million in additional personal income tax refunds in the last quarter of FY 2018. Excluding these shifts, the total receipts increase is $4.2 billion or 6.1 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $46.5 billion, an annual decrease of $486 million. Excluding the shifts described above, the underlying PIT growth of roughly 6.2 percent is consistent with forecasted economic growth and revisions based on April preliminary results.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $13.6 billion, an annual increase of $322 million (2.4 percent). This reflects projected growth in disposable income and taxable consumption.

General Fund business tax receipts are estimated at $5.6 billion, an increase of $710 million (14.4 percent). This growth is due to projected increases in corporate profits and new for-profit insurance providers subject to a premium insurance tax.

Other tax receipts to the General Fund are expected to total $2.0 billion including transfers after payment of debt service on Clean Water/Clean Air bonds, a decrease of $221 million (9.7 percent), reflecting a return to an average number of estate tax payments exceeding $25 million.

Non-tax receipts are estimated at $3.8 billion, an increase of $569 million. The growth is mainly due to the expected transfer of resources from the Health Transformation Fund.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2018 Through 2022” herein.

[8] The reported activity by Financial Plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019.

Disbursements[9]

General Fund disbursements, including transfers to other funds, are expected to total $73.9 billion in FY 2019, an annual increase of $4.5 billion (6.5 percent).

Local assistance grants are expected to total $49.4 billion in FY 2019, an annual increase of $3.3 billion (7.1 percent). The largest increases include $1.1 billion for School Aid (on a State fiscal year basis) and $934 million for Medicaid.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $14.8 billion, an annual increase of $1.0 billion (7.5 percent). Personal and non-personal service costs increase $580 million from FY 2018, reflecting increased personal service costs driven by labor agreements. Fringe benefit costs associated with State employees, including retiree health insurance costs, are expected to increase by $455 million (8.2 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's costs for Workers' Compensation are expected to increase by $170 million, due to underlying growth in the average weekly wage benefit and medical costs ($65 million), as well as a reduction in other resources available to offset costs ($105 million).

General Fund transfers to other funds are estimated to total $9.7 billion, an increase of $214 million. The increase is mainly due to transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements), reflecting the timing of General Fund capital reimbursements from bond proceeds.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2018 through 2022" herein.

[9] The reported activity by Financial Plan category excludes the impacts of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that take effect in FY 2019.

Closing Balance for FY 2019

DOB projects that the State will end FY 2019 with a General Fund cash balance of $5.5 billion, a decrease of $3.9 billion from FY 2018. The General Fund closing balance, excluding Extraordinary Monetary Settlements, is estimated at $2.5 billion, or $1.9 billion lower than the closing balance at the end of FY 2018. The change is due almost entirely to the expected use of the $1.9 billion in cash received in FY 2018 attributed to the acceleration of tax payments in response to the Federal law changes limiting the SALT deductibility.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to remain unchanged at $1.8 billion. The Enacted Budget Financial Plan continues to maintain a reserve of $500 million for debt management purposes. DOB will decide on the use of these funds based on market conditions, Financial Plan needs, and other factors.

The balance from Extraordinary Monetary Settlements is expected to total $3.0 billion at the close of FY 2019, a decrease of $2.0 billion from FY 2018. The anticipated decrease reflects the use of Extraordinary Monetary Settlements to fund activities appropriated from other funds ($1.5 billion); the MTA Subway Action Plan ($194 million); and general operations ($383 million), partly offset by the receipt of settlement payments ($183 million less $75 million retained by the Department of Law in other funds).

DOB expects the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due. The State continues to reserve General Fund resources on a quarterly basis for debt service payments. 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.

TOTAL BALANCES
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	**9,445**	**5,504**	**(3,941)**
General Fund (Excl. Extraordinary Monetary Settlements)	**4,425**	**2,491**	**(1,934)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	46	17	(29)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	155	155	0
Undesignated Fund Balance	1,905	0	(1,905)
Extraordinary Monetary Settlements Fund Balance	**5,020**	**3,013**	**(2,007)**

FY 2019 Detailed General Fund Gap-Closing Plan

The following table begins with the initial "base line" budget gaps (i.e., the gaps projected prior to the submission of Executive Budget[10]) and ends with the Enacted Budget surplus/(gap) projections.

FY 2019 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN
(millions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(4,443)**	**(6,385)**	**(8,053)**	**(8,413)**
SPENDING CHANGES	**2,461**	**1,345**	**918**	**1,244**
Local Assistance	**1,242**	**1,479**	**1,056**	**1,540**
Education	439	727	897	990
Health Care:	496	243	44	5
Global Cap	425	425	425	425
Minimum Wage	(125)	(184)	(229)	(300)
Other Health Care	196	2	(152)	(120)
Mental Hygiene	181	106	(18)	(137)
Human Services	132	150	208	205
STAR	60	35	(17)	415
MTA Subway Action Plan	(194)	0	0	0
All Other	128	218	(58)	62
Agency Operations	**68**	**(79)**	**(146)**	**(280)**
Executive Agencies	39	(108)	(174)	(316)
University Systems	81	77	80	93
Elected Officials	(52)	(48)	(52)	(57)
Debt Management/Capital	**557**	**(55)**	**8**	**(16)**
Prepayment of FY 2019 Debt Service Expenses	**594**	**0**	**0**	**0**
LEGISLATIVE ADDITIONS[2]	**(510)**	**(335)**	**(311)**	**(319)**
School Aid	(152)	(220)	(226)	(233)
Education/Higher Education	(142)	(103)	(78)	(78)
Human Services	(75)	0	0	0
Health Care	(40)	0	0	0
All Other	(101)	(12)	(7)	(8)
RESOURCE CHANGES	**1,887**	**743**	**279**	**435**
Taxpayer Acceleration of PIT Payments into FY 2018:	**0**	**0**	**0**	**0**
FY 2019 Impact of FY 2018 PIT Tax Acceleration	(1,905)	0	0	0
Offset to FY 2018 PIT Taxpayer Acceleration	1,905	0	0	0
Other Resource Changes:	**1,887**	**743**	**279**	**435**
Tax Receipts Revisions	1,025	734	243	265
Extraordinary Monetary Settlements - Operations	383	0	0	0
Extraordinary Monetary Settlements - MTA Subway Action Plan	194	0	0	0
Other Resource Changes	285	9	36	170
REVENUE ACTIONS	**605**	**605**	**221**	**96**
Contributions for Health Care Transformation	500	500	154	118
Opioid Stewardship and Prevention Fund	100	100	100	100
All Other Revenue Actions	5	5	(33)	(122)
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE[1]	**0**	**(4,027)**	**(6,946)**	**(6,957)**
ADHERENCE TO 2% SPENDING BENCHMARK[3]	**0**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**(780)**	**(1,398)**	**(487)**

1 Before actions to adhere to the 2 percent benchmark.

2 Includes distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes" and "Revenue Actions" categories.

3 Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

[10] Projected as of the FY 2018 Mid-Year Update, November 2017.

Spending Changes

The Enacted Budget Financial Plan reflects a reduction to General Fund spending in FY 2019 by $2.5 billion, net of new initiatives and costs, compared to the FY 2019 baseline estimate.[11] The reductions include reestimates to spending based on updated information, specific cost-containment proposals, and prepayment of FY 2019 expenses in FY 2018.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the baseline estimate of local assistance spending are expected to generate nearly $1.2 billion in General Fund savings. Savings are expected from both targeted actions and continuation of prior-year cost containment.

- **Education.** The Enacted Budget Financial Plan includes $26.6 billion in School Aid for SY 2019, an increase of $914 million (3.6 percent) over SY 2018. The final gap-closing plan displays this in two parts, (i) as savings compared to the baseline estimate ("spending changes") and (ii) as a legislative addition. The savings compared to the baseline estimate are due mainly to the impact of the Personal Income Growth Index (PIGI).[12] The remaining savings compared to the baseline estimate reflect the impact of School Aid database updates for expense-based aids, slower than anticipated grant-based awards, and one-time audit recoveries for the preschool special education program.

- **Health Care.** Medicaid spending under the Global Cap[13] is expected to total $18.9 billion in FY 2019, an increase of $593 million, consistent with the statutory index of 3.2 percent. Total Medicaid spending, including spending outside the Global Cap, is expected to increase to $20.4 billion in FY 2019. In addition, the State continues to provide capital funding to support health care delivery. The Enacted Budget Financial Plan includes $525 million in new capital spending, which is expected to be funded with bonds ($400 million) and Extraordinary Monetary Settlements ($125 million). The Enacted Budget Financial Plan includes savings from an additional $425 million for non-Department of Health (DOH) Medicaid expenses within the Global Cap. To achieve savings within the Global Cap to support these additional costs, DOH will continue to implement various Medicaid Redesign Team (MRT) actions to improve the efficiency and effective delivery of the statewide Medicaid program.

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[11] Projected as of the FY 2018 Mid-Year Update to the Financial Plan, November 2017.

[12] For SY 2019, the PIGI is 1.5 percent. If School Aid growth had been limited to the PIGI, it would have resulted in savings of $431 million compared to the baseline estimate, which represented 3.9 percent growth. The Executive Budget proposed a reduced annual increase, from 3.9 percent to 3 percent, which resulted in savings of $232 million.

[13] The Medicaid Global Cap is a statutory limit on annual State-funded Medicaid expenditures, indexed to the Medical component of the Consumer Price Index (CPI). Total State-funded Medicaid expenditures also include certain program costs which are not subject to the indexed provisions of the Global Cap.

Medicaid costs attributable to the minimum wage increase are projected to be higher than initially estimated, mainly due to higher-than-expected enrollment growth in home and personal long-term care. The Enacted Budget Financial Plan reflects increases in Medicaid spending of $125 million in FY 2019, growing to $300 million by FY 2022. The Enacted Budget funding for minimum wage increases for health care workers who provide services that are reimbursed by Medicaid is expected to total $703 million in FY 2019.

Other health care savings include modifications to certain pharmacy benefit programs and elimination of Cost of Living Adjustment (COLA) payments for certain human service providers. The Enacted Budget Financial Plan also includes savings from the one-time recoupment of ineligible claims paid during program years 2015 and 2016.

- **Mental Hygiene.** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts to ensure efficient use of State resources in the mental hygiene service delivery system.

- **Human Services.** Savings reflect, among other things, expiration of State reimbursements to New York City for the Close to Home initiative, and reestimates in other programs. Funding has been increased for higher projected public assistance caseload costs and to return child care subsidy funding to $806 million.

- **STAR.** The Enacted Budget includes legislation that mandates enrollment of STAR benefit recipients in the Income Verification Program.

- **Subway Action Plan.** The Enacted Budget includes legislation dedicating $836 million to the MTA's NYC Subway Action Plan, which is addressing system failures, breakdowns, delays and deteriorating customer service. These investments will position the system for further modernization. The plan will provide $508 million for operating purposes and $328 million for capital purposes. The State and the City will each fund 50 percent of the plan ($418 million). The State is expected to make payments monthly from April through December 2018, while the City is scheduled to contribute its share from July through December 2018.

  If the City does not fulfill the monthly funding requirement, the Enacted Budget contains legislation that allows the Budget Director to direct the State Comptroller to reduce State aid payments to the City or intercept City revenues to the extent necessary to fulfill the City's $418 million obligation. These funds would be redirected to a new Subway Assistance Fund and would be paid directly from that Fund to the MTA for use in executing the Subway Action Plan.

- **All Other.** Revisions include savings from the elimination of the planned FY 2019 1.9 percent human services cost-of-living increase; updated spending projections across various program areas, including updated enrollment data for the State University of New York (SUNY) Community Colleges that results in a reduction in projected Full-Time Equivalent (FTE) students; and continued utilization of JP Morgan Settlement and Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs. Spending increases in the outyears mainly reflect expected payment of matching funds to local governments that achieve savings consistent with County-Wide Shared Services Property Tax Savings Plans.

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies and utilities). Reductions from baseline projections for agency operations contribute $68 million to the General Fund gap-closing plan.

- **Executive Agencies.** State agencies are expected to continue to use less costly forms of service delivery, improve administrative practices, and pursue statewide solutions, including the utilization of Lean initiatives to streamline operations and management. New costs that may occur during the year, including costs for labor settlements, are expected to be managed within the cash ceilings contained in the Enacted Budget Financial Plan. Growth in agency operations is concentrated in DOH, for costs of the New York State of Health (NYSOH) marketplace and the Essential Plan (EP) program, and in the Office of Children and Family Services (OCFS), for the Raise the Age initiative.

  Spending increases in later years of the Financial Plan are for inflationary cost increases, an additional administrative payroll in FY 2021, and higher Medicaid administration expenses to support the NYSOH marketplace, as available Federal funding is assumed to expire.

  Pension estimates reflect the payment of the full FY 2019 Employees' Retirement System/Police and Fire Retirement System (ERS/PFRS) pension bill in April 2018, including repayment of amortized amounts due in FY 2019, rather than making monthly payments as previously assumed.

- **University Systems.** Savings reflect a decrease in General Fund support for SUNY hospitals, which is expected to be offset by other resources available to SUNY.

- **Elected Officials.** Increases for the Judiciary include retroactive payments pursuant to collective bargaining agreements and expected increases for legal representation in Family Courts resulting from Raise the Age legislation and the Attorney for the Child program. The Legislature also provides increases for personal service costs and equipment.

Debt Management/Capital Projects

The Enacted Budget Financial Plan reflects FY 2019 debt service savings from the payment of $594 million of FY 2019 expenses in FY 2018, as well as expected refundings, continued use of competitive bond sales, and other debt management actions. Additionally, the use of available bond proceeds to reimburse capital spending from prior years results in a downward revision to transfers needed to fund capital projects in FY 2019.

Legislative Additions

- **School Aid.** The Enacted Budget Financial Plan increases the School Year (SY) 2019 School Aid by $914 million (3.6 percent), including $618 million in Foundation Aid, bringing the new School Aid school year total to $26.6 billion. The Enacted Budget added $281 million in Foundation Aid funding for School Aid above the Executive Budget (a net increase of $152 million on a State fiscal year basis). Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at $26.7 billion, an increase of nearly $1 billion (3.9 percent) from SY 2018.

- **Education/Higher Education.** The Enacted Budget Financial Plan provides additional funding for charter schools, operating aid increases for community colleges, and various other targeted funding.

- **Human Services.** The Enacted Budget Financial Plan adds funding for several program areas supporting children, families, and communities. During the negotiation process, the Legislature added funding for eligible families with child care costs; and services for sexually exploited children, disabled New Yorkers, job seekers and worker training.

- **All Other.** The Enacted Budget Financial Plan provides additional funding for various purposes agreed to during budget negotiations, including mental health services in schools and legal services for domestic violence victims.

Resource Changes

- **Taxpayer Acceleration of FY 2019 PIT Payments into FY 2018.** The State received an estimated $1.9 billion in accelerated PIT payments at the end of calendar year 2017 as taxpayers responded to Federal tax law changes, that limit SALT deductibility, by pre-paying personal income taxes. The increase in FY 2018 cash balance that DOB attributes to the acceleration of PIT receipts is expected to be used to offset a corresponding reduction of PIT receipts in FY 2019.

- **Tax Receipts Revisions.** The Enacted Budget Financial Plan reflects revisions to tax receipts across most tax categories, reflecting the updated economic and revenue forecast, which includes decoupling the State's tax law from certain Federal tax provisions impacted by the TCJA, including certain deductions; the temporary medical expense deduction increase; child tax credit changes; and the single filer standard deduction.

- **Use of Extraordinary Monetary Settlements.** The Enacted Budget Financial Plan reflects the expectation that the State will use $194 million to help fund the State's share of the MTA Subway Action Plan and $383 million for General Fund operating purposes.

- **Other Resource Changes.** These include updated estimates of various miscellaneous receipts and transfers of available resources from other funds, including Federal Emergency Management Agency (FEMA) reimbursements expected in FY 2019.

Revenue Actions

- **Contributions for Health Care Transformation Efforts.** Pursuant to the September 2017 asset purchase agreement between Centene Corporation and New York State Catholic Health Plan, Inc., d/b/a Fidelis Care New York ("Fidelis Care") (collectively the "Parties"), Centene Corporation will, subject to approvals from DFS, OAG and DOH, among others, purchase substantially all of Fidelis Care's assets for approximately $3.75 billion (the "Transaction"). To offset the State's costs associated with health care transformation efforts and consistent with prior similar asset transfers in the State, the Parties have agreed to make $2 billion in payments to the State through a combination of direct payments and increased tax obligations resulting from the Transaction over the course of a five-year period commencing with the closing of the Transaction ("Transaction Payments"). The State intends to use the Transaction Payments exclusively for the purposes of (a) enhancing access to affordable quality healthcare related services for the poor, disabled, disadvantaged, elderly and/or under-served people of the State, and/or (b) to assist such populations with any unmet healthcare and healthcare-related needs including, but not limited to, those associated with the social determinants of health.

- **Opioid Stewardship and Prevention Fund.** The Enacted Budget includes authorization for a new fund to support ongoing prevention, treatment, and recovery services that will be funded by payments from manufacturers and distributors of opioids.

- **Other Actions.** The Enacted Budget includes other tax credits/extensions and enforcement initiatives. These include a two-year extension of the Hire a Vet Tax Credit through calendar year 2020; an extension for the Musical and Theatrical Production Tax Credit for four additional years; and the extension of the Historic Properties Tax Credit through 2024.

Changes to Executive Budget

The table below summarizes all the changes to the Executive Budget General Fund Financial Plan.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2019	FY 2020	FY 2021	FY 2022
TOTAL NEGOTIATED CHANGES TO EXECUTIVE BUDGET	**(1,124)**	**(1,551)**	**(1,875)**	**(2,027)**
SPENDING RESTORATIONS/ADDITIONS	**(694)**	**(753)**	**(821)**	**(898)**
New Spending Adds:	(510)	(335)	(311)	(319)
School Aid - Foundation Aid Increase (SFY Basis)	(152)	(220)	(226)	(233)
Other Education Aid	(81)	(71)	(52)	(52)
Higher Education	(61)	(32)	(26)	(26)
Human Services	(75)	0	0	0
Health Care	(40)	0	0	0
All Other	(101)	(12)	(7)	(8)
Restorations/Modifications:	(184)	(418)	(510)	(579)
STAR Exemption Cap	(49)	(94)	(141)	(185)
Special Education Reimbursement Methodology	(34)	(61)	(67)	(67)
Bundy Aid Reduction	(25)	(35)	(35)	(35)
Child Welfare Reimbursement Cap	(17)	(17)	(17)	(17)
Retiree Health Insurance	(3)	(13)	(24)	(39)
Public Health Program Consolidations	(9)	(9)	(9)	(9)
Interest on Court of Claims Judgments	(6)	(6)	(6)	(6)
Elimination of NYC Charter Supplemental Tuition	0	(121)	(131)	(140)
Other Restorations/Modifications	(41)	(62)	(80)	(81)
TAX LAW/REVENUE CHANGES	**(430)**	**(798)**	**(1,054)**	**(1,129)**
Not Accepted:	(402)	(726)	(649)	(615)
Healthcare Insurance Windfall Profit Fee	(140)	(140)	(140)	(140)
ESCO Sales Tax Exemption Discontinuation	(90)	(120)	(120)	(120)
Business-Related Tax Credit Claims Deferral	(82)	(278)	(199)	(164)
Internet Fairness Conformity Tax	(75)	(150)	(150)	(150)
Cigar Tax Enforcement	(12)	(23)	(23)	(23)
All Other Revenue Actions	(3)	(15)	(17)	(18)
Modified/New:	(28)	(72)	(405)	(514)
Contributions for Health Care Transformation	0	0	(346)	(382)
Opioid Stewardship and Prevention Fund	(27)	(71)	(54)	(38)
Extend/Decouple Historic Tax Credit	0	0	0	(89)
Extend Theater Production Tax Credit	0	0	(4)	(4)
All Other	(1)	(1)	(1)	(1)
NEW INITIATIVES/COSTS	**(111)**	**(49)**	**(49)**	**(49)**
DOT Snow & Ice Costs	(29)	0	0	0
February School Aid Database Update	(28)	0	0	0
Human Services Minimum Wage	(15)	(15)	(15)	(15)
Western NY Children's Psychiatric Center Continued Operation	(6)	(16)	(16)	(16)
Housing Preservation	(6)	0	0	0
Legal Services	(5)	0	0	0
All Other	(22)	(18)	(18)	(18)
SPENDING OFFSETS	**346**	**399**	**(5)**	**38**
FY 2018 Prepayments	254	0	0	0
MSA Payments	106	0	0	0
Local Assistance	(51)	361	(43)	0
Fringe Benefits/Fixed Cost	37	38	38	38
RESOURCES	**889**	**645**	**172**	**193**
Tax Receipts Revisions	965	714	224	246
Transfers/Risk Reserves/Other Resources	(76)	(69)	(52)	(53)
NET SAVINGS/(COSTS)[1]	**0**	**(556)**	**(1,757)**	**(1,845)**

[1] Before projected savings achieved by limiting future annual growth to 2 percent.

New Costs

During budget negotiations, the Governor and Legislature agreed to $1.1 billion of new costs for General Fund additions, spending restorations, and tax law changes to the Executive Budget proposal. The Enacted Budget added $281 million in Foundation Aid funding for School Aid above the Executive Budget (a net increase of $152 million on a State fiscal year basis), bringing the annual Foundation Aid increase to $618 million. In addition, growth in expense-based and other school aid funding brings the total increase for SY 2019 to approximately $914 million (3.6 percent). Other spending additions of $358 million were approved to fund a range of purposes, including education, higher education, and human services. Executive Budget cost containment proposals that were not approved added $184 million in costs in FY 2019. Lastly, several tax and revenue proposals were not approved or were modified in a manner that will yield less revenue than proposed, adding $430 million in costs in FY 2019.

The Enacted Budget Financial Plan includes $111 million in additional FY 2019 costs for the removal of snow and ice, updated School Aid data, and funding to allow the Western New York Children's Psychiatric Center to remain open, as well as other targeted investments and additions.

Spending Offsets and Resources

The Enacted Budget Financial Plan includes savings and resources in FY 2019 that DOB estimates will be sufficient both to fund the negotiated additions and restorations to the Executive Budget, and to fully cover the new costs described above. Spending offsets (as compared to the Executive Budget) include the payment of FY 2019 expenses in FY 2018 beyond the level assumed in the Executive Budget Financial Plan ($254 million); use of available Master Settlement Agreement (MSA) payments received in, but not used in, FY 2018; and other spending revisions reflecting a review of FY 2018 operating results and the cautious estimation of General Fund expenses. In addition, upward revisions to tax receipts based on DOB's review of March and April 2018 tax collections provide roughly $1.4 billion in resources in FY 2019, which include the accelerated payment of refunds in March 2018. DOB plans to accelerate refunds again in March 2019, which has the effect of moving $500 million in resources to FY 2020.

State Operating Funds -- Summary of Annual Spending Change

A significant amount of spending that occurs in State Operating Funds is supported with resources generated in exchange for services provided by State entities. Examples include SUNY operations that are funded with tuition, patient and fee revenue, and regulatory activities by the Workers' Compensation Board (WCB) and DFS that are funded with industry assessments. In addition, other spending is supported with revenues that are used exclusively, or nearly exclusively, for dedicated purposes, such as the various taxes collected and disbursed to the MTA and other transit systems from the Metropolitan Mass Transportation Fund and public transportation funds. These "own-source" revenues contribute more than $400 million in spending growth from FY 2018 to FY 2019. These activities have no direct bearing on the State's ability to maintain a balanced budget in the General Fund.

In addition, spending growth in recent years reflects the State's effort to address long-standing public policy issues. For example, in FY 2015, the State absorbed the full cost of growth in Medicaid on behalf of local governments. Secondly, in FY 2017, the State enacted a law that provides for predictable increases in the minimum wage. In FY 2019, State Operating Funds spending increases by over $900 million, reflecting the incremental cost of the local Medicaid growth takeover, and nearly $800 million for the direct cost of the minimum wage increase on health care providers.

Local Assistance

Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In SY 2019, School Aid is expected to total $26.6 billion, an increase of $914 million (3.6 percent), including a $618 million increase in Foundation Aid.[14] Medicaid spending subject to the Global Cap will grow at the indexed rate of 3.2 percent to $18.9 billion. In total, Medicaid spending that is funded from State resources will increase to $20.4 billion, the takeover of local Medicaid growth costs ($182 million growth), the cost of minimum wage ($448 million growth), and other spending outside the Global Cap.

In FY 2018, bonds secured by annual payments from tobacco manufactures under the MSA were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately $435 million to be available in FY 2019 (including $103 million from FY 2018) and additional payments to be available in subsequent years. Legislation included in the FY 2018 Enacted Budget directed 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, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State $917 million in FY 2019 and $1.1 billion in FY 2020. Consistent with State law, DOB expects MSA payments to be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall

[14] Total education aid, including reimbursement for charter school supplemental tuition and facilities aid, is projected at $26.7 billion, an increase of nearly $1 billion (3.9 percent) from School Year (SY) 2018.

Medicaid spending funded with State resources, but does decrease by $435 million reported State-supported Medicaid spending accounted for in FY 2019 State Operating Funds.

The Enacted Budget includes legislation dedicating $836 million to the MTA's NYC Subway Action Plan. The Plan will provide $508 million for operating purposes and $328 million for capital purposes. The State and the City will each fund 50 percent of the Plan ($418 million). The State will provide $194 million from Extraordinary Monetary Settlements and $60 million in accelerated PMT pass-through resources, which constitute the State's operating obligation consistent with the MTA's NYC Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service.

The PMT will no longer be appropriated annually by the State Legislature. Previously, the State collected the PMT on behalf of, and disbursed the entire amount to, the MTA. The Enacted Budget amended the enabling statute to no longer require the PMT to be appropriated annually by the State Legislature but instead paid directly to MTA from a sole custody fund. In addition, PMT receipts will be received by the MTA without delays or uncertainty related to the appropriation process. Consistent with this statutory change, the Enacted Budget Financial Plan does not include PMT receipts and related local assistance disbursements. In FY 2019, the PMT receipts and disbursements that have been excluded are estimated at approximately $1.5 billion and $1.4 billion, respectively.

STAR spending in FY 2018 and FY 2019 is affected by the conversion of STAR benefits to State PIT credits. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers. It does, however, decrease the level of reported PIT receipts and reported disbursements for STAR on a State Operating Funds basis by an identical amount (estimated at $778 million in FY 2018 and $862 million in FY 2019.)

Higher Education spending growth is due mainly to the second phase of the Excelsior Free Tuition Program and increased funding for other scholarships, which provide financial aid to approximately 400,000 students.

Local assistance spending reported in the Enacted Budget Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature authorized the money recouped from the STARC refunding to be treated as an offset to State spending by adding specific language to the STARC appropriation. The Enacted Budget Financial Plan reflects the offset to spending in the calculation of FY 2019 State Operating Funds spending. In FY 2017 and FY 2018, the State accounted for the money as a miscellaneous receipt.

State Operations/Fringe Benefits

Spending for Executive agency operations is expected to increase by 1.9 percent in FY 2019, excluding the reclassification of certain DOT and DMV operating costs to the General Fund. Beginning in FY 2019, the Enacted Budget appropriates certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses were previously funded by a transfer from the General Fund to the DHBTF. The change, which will increase disbursements in State Operating Funds by nearly $390 million in FY 2019, applies to operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities.

Operations spending for the University Systems and elected officials, which include the Attorney General, Comptroller, Legislature and Judiciary, are expected to increase by 1.9 percent and 1.8 percent, respectively.

Spending growth for fringe benefits is due mainly to rising employee health care and prescription drug costs. The State continues to repay the State Retirement System for amounts amortized from FY 2011 through FY 2016. The payments were amortized to mitigate the extraordinary increase in annual contributions following investment losses. The amortized payments are $432 million in FY 2018 and in FY 2019.

Debt Service

Spending from Debt Service Funds is expected to decline, due mainly to the payment of $594 million in planned FY 2019 debt service costs during FY 2018.

Cash Flow

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

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due without having to temporarily borrow from STIP. 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 2019
(millions of dollars)

	General Fund	Other Funds	All Funds
April[1]	9,946	4,074	14,020
May	5,130	3,520	8,650
June	4,502	4,000	8,502
July	4,607	5,295	9,902
August	4,201	4,705	8,906
September	5,918	3,261	9,179
October	6,077	3,329	9,406
November	4,084	2,749	6,833
December	6,066	3,552	9,618
January	11,780	3,907	15,687
February	11,282	3,549	14,831
March	5,504	3,523	9,027

[1] DOB Preliminary Result.

Extraordinary Monetary Settlements

From the beginning of FY 2015 through April 2018, DOB calculates that the State has received a total of $10.9 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions.

The Enacted Budget Financial Plan projections and tables that follow do not reflect that:

(i) Nationstar Mortgage LLC ("Nationstar") paid a $5 million penalty pursuant to an April 11, 2018 consent order between Nationstar and DFS. This consent order pertains to Nationstar's violations of laws, regulations and applicable industry guidance, including (i) failure to obtain authorization for the use of multiple domain names; (ii) failure to maintain books, records and customer files; (iii) failure to fund mortgage loans within the timeframe set forth in various loan or other documents for individual borrowers; (iv) operation of two branch locations without authorization; (v) failure to maintain required documentation in servicing files; (vi) failure to maintain a schedule of fees on its website; (vii) failure to submit quarterly reports in a timely manner; and (viii) failure to file multiple 90-day pre-foreclosure notices.

(ii) The Goldman Sachs Group, Inc. ("Goldman Sachs") paid a $54.75 million civil monetary penalty pursuant to a May 1, 2018 Consent Order between Goldman Sachs and DFS. This consent order pertains to Goldman Sachs' conducting business in an improper, unsafe, and unsound manner by failing to implement effective controls over its foreign exchange business.

(iii) Lockton Affinity, LLC and Lockton Companies, LLC (collectively, "Lockton") paid a $7 million civil monetary penalty pursuant to a May 2, 2018 consent order between Lockton and DFS. This consent order pertains to Lockton's brokerage, administration, solicitation and marketing of insurance coverage that violated New York State laws and regulations, and its submission of inaccurate affidavits required by the insurance law pertaining to excess lines insurance coverage.

(iv) William Penn Life Insurance Company of New York ("William Penn") paid a $6.3 million civil penalty pursuant to a May 3, 2018 consent order between William Penn and DFS. This consent order pertains to William Penn's unapproved reinsurance transactions in 2014 through 2018, and its materially inaccurate statements to DFS regarding such reinsurance transactions.

(v) Chubb Group Holdings Inc. and Illinois Union Insurance Company (collectively, "Chubb") paid a $1.3 million civil monetary penalty pursuant to a May 7, 2018 consent order between Chubb and DFS. This consent order pertains to Chubb's issuance of insurance policies in New York State, or otherwise issuing policies covering New York State residents, which provided insurance coverage that may not be offered in the New York State excess line market and issuing liability insurance coverage to New York residents that failed to contain required liability insurance policy provisions.

(vi) Deutsche Bank AG and Deutsche Bank AG New York Branch (collectively, "Deutsche Bank"), paid a $205 million civil monetary penalty pursuant to a June 20, 2018 consent order between Deutsche Bank and DFS. This consent order pertains to Deutsche Bank's conducting business in an improper, unsafe, and unsound manner by failing to implement effective controls over its foreign exchange business.

(vii) Athene Life Insurance Company of New York ("Athene") will pay a $15 million civil monetary penalty pursuant to a June 28, 2018 consent order between Athene and DFS. This consent order pertains to Athene's failure to provide required information to about 15,000 policyholders from 2015 to 2017.

DOB expects to update the State's multi-year financial projections, including settlements described above, with the First Quarterly Update to the Enacted Budget Financial Plan.

The following table lists the Extraordinary Monetary Settlements by firm and amount.

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	Total
Extraordinary Monetary Settlements	**4,942**	**3,605**	**1,317**	**805**	**183**	**10,852**
BNP Paribas	2,243	1,348	0	350	0	3,941
Department of Financial Services (DFS)	2,243	0	0	350	0	2,593
Asset Forfeiture (DANY)	0	1,348	0	0	0	1,348
Deutsche Bank	0	800	444	0	0	1,244
Credit Suisse AG	715	30	0	135	0	880
Commerzbank	610	82	0	0	0	692
Barclays	0	670	0	0	0	670
Credit Agricole	0	459	0	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	0	315
Bank of America	300	0	0	0	0	300
Standard Chartered Bank	300	0	0	0	0	300
Goldman Sachs	0	50	190	0	0	240
Morgan Stanley	0	150	0	0	0	150
Bank Leumi	130	0	0	0	0	130
Ocwen Financial	100	0	0	0	0	100
Citigroup (State Share)	92	0	0	0	0	92
MetLife Parties	50	0	0	0	0	50
American International Group, Inc.	35	0	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	0	20
Promontory	0	15	0	0	0	15
New Day	0	1	0	0	0	1
Volkswagen	0	0	32	33	0	65
Mega Bank	0	0	180	0	0	180
Agricultural Bank of China	0	0	215	0	0	215
PHH Mortgage	0	0	28	0	0	28
Intesa SanPaolo	0	0	235	0	0	235
Habib Bank	0	0	0	225	0	225
Cigna	0	0	0	2	0	2
Western Union	0	0	0	60	0	60
RBS Financial Products Inc.	0	0	0	0	100	100
Bank of America Merrill Lynch	0	0	0	0	42	42
UBS	0	0	0	0	41	41
Other Settlements	7	0	(7)	0	0	0

Uses of Extraordinary Monetary Settlements

A total of $10.8 billion in Extraordinary Monetary Settlements has been allocated to date. The remaining balance of $76 million remains unallocated.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM 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	FY 2022	FY 2023
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**5,335**	**5,020**	**3,013**	**1,865**	**1,010**	**405**
Receipt of Extraordinary Monetary Settlement Payment	**4,942**	**3,605**	**1,317**	**805**	**183**	**0**	**0**	**0**	**0**
Use/Transfer of Funds	**275**	**1,972**	**2,282**	**1,120**	**2,190**	**1,148**	**855**	**605**	**329**
Capital Purposes:									
Transfer to DIIF	0	857	697	941	1,608	1,250	1,109	542	306
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	67	10	8	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	19	70	70	80	63	23
Transfer to DIIF for Javits Center Expansion	0	0	0	164	350	320	166	0	0
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	0
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0
Other Purposes:									
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	0
CSX Litigation Payment	0	0	0	76	0	0	0	0	0
Financial Plan - General Fund Operating Purposes	275	250	102	461	383	0	0	0	0
Transfer to Local Assistance Account - Mass Transit Operating	0	0	0	10	0	0	0	0	0
MTA Operating Aid	0	0	0	0	194	0	0	0	0
Department of Law - Litigation Services Operations	0	10	63	27	75	0	0	0	0
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	0
Reservation of Funds:									
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	0
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**5,335**	**5,020**	**3,013**	**1,865**	**1,010**	**405**	**76**

A total of $7.8 billion has been, or is expected to be, used to finance various spending from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another $2.9 billion has been, or is expected to be, used for other purposes, including resolution of Office for People with Developmental Disabilities (OPWDD) Federal disallowances in FY 2016, retroactive labor costs, General Fund operations, one-time litigation payments to CSX Transportation, Inc. (CSX), and costs of the Department of Law's Litigation Services Bureau.

The Enacted Budget Financial Plan reflects use of previously unallocated Extraordinary Monetary Settlements to support:

- **General Fund Operations ($383 million).** Consistent with prior years, the Enacted Budget Financial Plan reflects the use of funds not appropriated for other purposes.
- **MTA Subsidy ($194 million).** Additional support will be provided to the MTA for operations in FY 2019.
- **Health Care Capital Grants ($125 million).** An additional $525 million will be provided to the Health Care Facility Transformation Program, of which $125 million will be funded from Extraordinary Monetary Settlements over a multi-year period.

Other Matters Affecting the Financial Plan

General

The Enacted Budget Financial Plan is subject to complex economic, social, financial, political, and environmental risks and uncertainties, many of which are outside the ability of the State to control. DOB believes that the projections of receipts and disbursements in the Enacted Budget Financial Plan are based on reasonable assumptions, but there can be no assurance that actual results will not differ materially and adversely from these projections. For instance, actual receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, certain projections contained in the Enacted Budget Financial Plan are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent in FY 2020, FY 2021, and FY 2022, and that all savings that result from the 2 percent spending growth benchmark will be made available to the General Fund.

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

The Enacted Budget 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 the impacts of: national and international events; ongoing financial risks in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; Federal statutory and regulatory changes concerning financial sector activities; Federal tax law and other programmatic purposes; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments, which may adversely affect bonus income and capital gains realizations; the effect of household debt on consumer spending and State tax collections; and the outcomes of litigation and other claims affecting the State.

The Enacted Budget Financial Plan is subject to various uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets, and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Enacted Budget Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its public authorities to issue

securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Enacted Budget Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid; delays in or suspension of capital maintenance and construction; extraordinary financing of operating expenses; use of non-recurring 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 action of the Governor.

The Enacted Budget Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending increases above the personal income growth index. In SY 2019, the Enacted Budget Financial Plan reflects a 3.6 percent School Aid increase, compared to 1.5 percent growth in the personal income growth index. In SY 2020, School Aid is projected to increase by 3.6 percent, based on currently projected personal income growth.

State law grants the Commissioner of Health certain powers and authority to maintain Medicaid spending levels assumed in the Enacted Budget Financial Plan. Over the past six years, DOH State Funds Medicaid spending levels have remained at or below indexed levels without requiring the Commissioner to exercise this authority. However, Medicaid program spending is sensitive to several factors including fluctuations in economic conditions, which may increase caseload, and changes in Federal aid, which could affect State health care spending. The Commissioner's powers are intended to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated for the current fiscal year, through actions which may include reducing rates to providers. These actions may be dependent upon timely Federal approvals and other elements of the program that govern implementation. It should further be noted that the Medicaid Cap, which is indexed to historical CPI Medical trends, applies to State Operating Funds and, therefore, General Fund spending remains sensitive to revenue performance in the State's HCRA fund. The HCRA fund finances approximately one-quarter of the DOH State-share costs of Medicaid.

The Enacted Budget Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain revenue sharing payments under the Tribal-State compact, including payments

from the Seneca Nation[15]; receipt of miscellaneous revenues at the levels expected in the Enacted Budget Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Enacted Budget Financial Plan in current or future years, or both.

The Enacted Budget Financial Plan also includes actions that affect the spending reported in the State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program to a tax credit for consistency with the reporting of other State tax credits. If these and other transactions are not implemented as planned, annual spending growth in State Operating Funds would increase above current estimates.

In developing the Enacted Budget Financial Plan, DOB attempts to mitigate the financial risks from receipts volatility, litigation, and unexpected costs, with a particular 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 (including, but not limited to, fund balances not needed in a given year, acceleration of tax refunds above the level budgeted in a given year, and prepayment of expenses). There can be no assurance that such resources will be sufficient to address risks that may materialize in a given fiscal year.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Trump Administration and the current Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision as a result of changes in Federal policy. Actions by the Federal government, including the TCJA, pose a heightened risk to State finances. Enactment of Federal tax law changes is currently projected to add $1.9 trillion to the Federal deficit over the next ten years,[16] increasing the likelihood that Congress will seek material cuts in Federal aid programs or impose new barriers to the receipt of Federal aid by families and individuals.

In addition, the Enacted Budget 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 Enacted Budget Financial Plan includes reimbursement to

[15] The Seneca Nation has withheld payments to the State that were expected in FY 2018. The State and Seneca Nation are currently in the arbitration process. The Enacted Budget Financial Plan assumes successful resolution by October 2018.

[16] Congressional Budget Office, “The Budget and Economic Outlook: 2018 to 2028”, April 2018.

the Federal government of $100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare and 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.

Given this uncertainty, the Enacted Budget Financial Plan includes legislation to continue authorization for a process by which the State would manage significant reductions in Federal aid during FYs 2019 and 2020 should such reductions occur. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal policymakers (i) reduce Federal financial participation in Medicaid funding to New York State or its subdivisions by $850 million or more; or (ii) reduce Federal financial participation or other Federal aid funding to New York State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately, and is not additive. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both the Senate and Assembly. Otherwise, the plan submitted by the Budget Director takes effect automatically.

Current Federal Aid

President Trump has proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019. The proposed cuts for FFY 2018 were largely rejected by the Consolidated Appropriations Act of 2018, which was enacted in March 2018. The FFY 2019 budget is still under consideration by Congress. If the proposed cuts are adopted, it could reduce Federal aid to New York by billions of dollars.

The Budget Control Act (BCA) of 2011, which temporarily raised the debt limit, established discretionary spending caps on the Federal government through FFY 2021, and under certain conditions institutes automatic spending cuts for certain Federal funds on which the State relies. Discretionary Federal funding to the State could be reduced if these caps are not adjusted, suspended or eliminated. On February 9, 2018, the Federal government enacted legislation increasing the spending caps for FFYs 2018 and 2019, lessening the potential for significant spending cuts in discretionary domestic programs through FFY 2019.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the 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 came into effect with the start of FFY 2018, beginning October 1, 2017, but have since been delayed

to FFY 2020 (beginning October 1, 2019) by Federal legislation enacted on February 9, 2018. The legislation also accelerates full implementation of the DSH cuts to begin in FFY 2021, in contrast to the previous multi-year phase-in.

DOB estimates that if the changes do take effect as scheduled, New York will see the largest reduction among all states, costing the State billions of dollars in lost Federal DSH payments when fully phased in. DOB continues to monitor Federal Medicaid DSH payment policies.

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program (EP in New York State), the ACA's Medicaid expansion and to shift a larger share of growth in Medicaid costs to states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If these bills had been enacted into law, these policies would have had a substantial adverse impact on the Enacted Budget Financial Plan.

Additionally, President Trump has taken unilateral executive action to withhold Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients purchasing Qualified Health Plan (QHP) or EP coverage through NYSOH, New York's official health plan marketplace. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Enacted Budget continues to support the EP program. In order to offset this loss of funding, the State will utilize EP Medical Loss Ratio (MLR) remittances, reduce reimbursement rates to plans, and accelerate trust fund monies to maximize Federal benefits.

While Federal funding for the Children's Health Insurance Program (CHIP) has been reauthorized through FFY 2027, it remains possible that other Federal changes could affect the State's health care policies. DOB continues to monitor Federal health care policy.

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

The Excise Tax on High-Cost Employer Sponsored Health Coverage (26 USC 4980I) is a 40 percent excise tax assessed on the portion of the premium for an employer-sponsored health insurance plan that exceeds a certain annual limit. The provision was initially included in the ACA to offset mandatory spending increases but has since been altered by intervening laws that delay the implementation of the tax until 2022.

Regulations from the IRS have yet to be published. DOB has no current estimate as to the potential impact to the Enacted Budget Financial Plan from this Federal excise tax.

MRT Medicaid Waiver

The Federal Centers for Medicare & Medicaid Services (CMS) and the State have an agreement authorizing up to $8 billion in new Federal funding over several years to transform New York's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding,

provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver, is divided among the Interim Access Assurance Fund (IAAF), the Delivery System Reform Incentive Payment (DSRIP) Program, Health Homes, and various other Medicaid redesign initiatives.

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

Federal Debt Limit

On February 9, 2018, the Federal government enacted legislation suspending the Federal debt limit through March 1, 2019, forestalling the possibility of a default by the Federal government until at least that time. A Federal government default on payments, particularly for a prolonged period, could have a materially adverse effect on the national and the State economies, financial markets, and intergovernmental aid payments. The specific effects on the Enacted Budget Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

Current Labor Negotiations and Agreements (Current Contract Period)

The State has multi-year labor agreements in place with the majority of its unionized workforce. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation) employees have a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs.

Employees represented by the Public Employees Federation (PEF) and the Graduate Student Employees Union (GSEU) have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019. The salary increases provided to PEF and GSEU employees have also been extended to Management/Confidential (M/C) employees in FYs 2017 through 2019.

Members of the Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides a 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018. Negotiations on the next contract with NYSTPBA and NYSPIA have commenced.

On May 24, 2018, the State reached a tentative agreement with the United University Professions (UUP) for the six-year period that includes academic years 2017 through 2023 (July 1, 2016 through June 30, 2023). The agreement provides for a 2 percent general salary increase each year, and additional compensation changes, which are partly offset by benefit design changes within NYSHIP. The tentative agreement is contingent on legislative approval of a pay bill and UUP member ratification, the provisions of this agreement are estimated to cost approximately $250 million in FY 2019.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021.[17] Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached agreement 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 2019 for Court Officers Benevolent Association of Nassau County (COBANC), FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association, and FY 2017 to FY 2019 for seven other unions.

[17] The five-year agreement with NYSCOPBA that was not ratified would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs.

Pension Contributions[18]

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in ERS and 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.[19] All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS 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 for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed – for ERS the scale was reduced from 4.9 percent to 3.8 percent and for PFRS the scale was reduced from 6.0 percent to 4.5 percent.

FY 2019 Projections

The preliminary FY 2019 ERS/PFRS pension liability of $2.3 billion is impacted by the FY 2017 investment return of 11.5 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 15.3 percent of payroll to 14.9, while the average contribution rate for PFRS will decrease from 24.4 percent of payroll to 23.5 percent.[20]

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 (i) were honorably discharged, (ii) have achieved five years of credited service in a public retirement system, and (iii) have agreed to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g. FY 2017 costs will first be billed in FY 2019). Additionally, Section 25 of the RSSL requires the State to pay the ERS employer

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

[19] The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both 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).

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

contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to this amortization. The ERS cost to the State (including the costs covered for local ERS) was $52 million in FY 2018 based on actual credit purchased through December 31, 2017. DOB currently estimates ERS costs of $55 million in FY 2019 and $39 million in FY 2020. Additionally, the State expects ongoing costs of $7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

Pension estimates for FY 2020 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases and that investment returns will be below the actuarially assumed 7 percent rate of return in the near-to-mid-term.

Pension Amortization[21]

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 re-calculated 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 rate[22]) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a formula enacted in the 2010 legislation 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

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

[22] 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.

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.

The State has not amortized its pension costs (including the Office of Court Administration (OCA)) since FY 2016.

The amortization threshold is projected to equal the normal rate in 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)

	Statewide Pension Payments[1]					Rates for Determining (Amortization Amount) / Excess Contributions			
Fiscal Year	Normal Costs[2]	(Amortization Amount) / Excess Contributions	Repayment of Amortization	Total Statewide Pension Payments	Interest Rate on Amortization Amount (%)[3]	System Average Normal Rate[4]		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.0	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.8	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.0	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.7	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.2	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.2	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.3	15.1	24.3	15.1	23.5
2018	1,788.7	0.0	432.1	2,220.8	2.8	14.9	24.3	14.9	24.3
2019 Est.	1,866.7	0.0	432.1	2,298.8	0.0	14.4	23.5	14.4	23.5
Projected by DOB[5]									
2020	1,921.4	0.0	432.1	2,353.5	0.0	15.2	24.0	15.2	24.0
2021	2,080.3	0.0	432.1	2,512.4	0.0	16.2	25.0	16.2	25.0
2022	2,272.5	0.0	399.8	2,672.3	0.0	17.2	26.0	17.2	26.0
2023	2,436.7	0.0	331.3	2,768.0	0.0	17.9	25.8	17.9	25.8
2024	2,460.1	0.0	240.1	2,700.2	0.0	17.7	25.4	17.7	25.4
2025	2,483.7	0.0	126.4	2,610.1	0.0	17.5	25.0	17.5	25.0
2026	2,507.2	0.0	42.2	2,549.4	0.0	17.3	24.6	17.3	24.6

[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, administrative costs, costs of new legislation in some cases, and prior-year adjustments. "(Amortization Amount) / 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 "(Amortized) / Excess Contributions" column shows amounts amortized. The "Amortization Payments" 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, inclusive of 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.

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 NYSHIP, or are enrolled in the NYSHIP opt-out program, at the time they reach retirement; and have at least ten years of eligible service. The cost of providing post-retirement health insurance is shared between the State and the retired employee. Contributions are established by law and may be amended by the Legislature. The State pays its share of costs on a Pay-As-You-Go (PAYGO) basis as required by law.

In accordance with the GASB Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2017, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2017, the unfunded actuarial accrued liability for FY 2017 is $87.2 billion ($72.8 billion for the State and $14.4 billion for SUNY), an increase of $9.4 billion from FY 2016 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2017 used an actuarial valuation of OPEB liabilities as of April 1, 2016 for the State and April 1, 2014 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. A significant portion of the annual growth in the State's unfunded actuarial accrued liability is due to the reduction of the discount rate from 3.155 to 2.637 percent, calculated as the average STIP rate for the past 20 years at the time of valuation. The decline in the discount rate increases the present value of the projected benefit obligation.

The actuarially determined annual OPEB cost for FY 2017 totaled $4.1 billion ($3.2 billion for the State and $923 million for SUNY), a decline of $7 million from FY 2016 ($4 million for the State and $3 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $2.4 billion ($1.795 billion for the State and $639 million for SUNY) greater than the

PAYGO required cash payments for retiree costs made by the State in FY 2017. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net position at the end of FY 2017 by $2.4 billion.

GASB has no authority to require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the Enacted Budget Financial Plan. 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.

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

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") 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 Enacted Budget Financial Plan does not include any deposits to the Trust Fund.

The provisions of GASB Statement 75 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), which amends GASB Statement 45 and GASB Statement 57, is expected to be incorporated into the State's FY 2019 Basic Financial Statements. The FY 2019 Basic Financial Statements are expected to be issued in July 2019. The GASB Statements, as amended by GASB Statement 75, alter the actuarial methods used to calculate OPEB liabilities, standardizes asset smoothing and discount rates, and require the unfunded net OPEB obligation to be reported by the State in its Statement of Net Position. Reporting the unfunded OPEB liability on the Statement of Net Position, rather than as a note to the Basic Financial Statements, is expected to significantly increase the State's total long-term liabilities and show the State in a negative net position.

GASB Statement 75 is not expected to alter the Enacted Budget Financial Plan cash PAYGO projections for health insurance costs, as the DOB methodology for forecasting these costs over a multi-year period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the 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 individual description but, in the aggregate, could still adversely affect the Enacted Budget Financial Plan. For more information, see the "Litigation" section later in this AIS.

Climate Change Adaptation

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

Participants in financial markets are 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.[23] 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 the effect on coastal infrastructure as the primary climate risk for the northeastern US region, including the State. These risks are heightened by population concentration in coastal counties.

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 to various State counties. In September 2011, Tropical Storm Lee caused flooding in additional State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms present economic and financial risks to the State. Reimbursement claims for costs of the immediate response, 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. It is anticipated that the State, MTA, and State localities may receive approximately one-half of this amount for response, recovery, and mitigation costs. To date, a total of $17 billion has been committed to repairing impacted homes and businesses, restoring community services, and mitigating future storm risks across the State. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities over the coming years.

[23] 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.

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 Enterprise Information Security Office (EISO) 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 (see https://its.ny.gov/eiso/policies/security), and annually assesses the implementation of security policies and standards to ensure compliance through the Nationwide Cyber Security Review. In addition, the EISO maintains a cyber command center hotline 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 for State and local government. 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, 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 DFS are, unless eligible for limited exemptions, required to: (i) maintain a cyber security program, (ii) create written cybersecurity policies and perform risk assessments, (iii) designate a Chief Information Security Officer with responsibility to oversee the cybersecurity program, (iv) annually certify compliance with the cybersecurity regulations, and (v) report to DFS cybersecurity events that have a reasonable likelihood of materially harming any material part of the entity's normal operation(s) or of which notice is required to any government body, self-regulatory agency, or supervisory body.

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 Financial Plan. Certain localities outside New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments. 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.

Bond Market

Successful Implementation of the Enacted Budget 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 the STIP, which it then reimburses with proceeds from the sale of bonds. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, the State's overall cash position and capital funding plan may be adversely affected. The success of projected public sales will be subject to prevailing market conditions, among other things. Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments generally, may affect the market for outstanding State-supported and State-related debt. The TCJA adversely impacts 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 for capital purposes only, and limits the maximum term of bonds to 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. 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 (FY 2017).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the availability under the debt outstanding cap is expected to decline from $3.7 billion in FY 2018 to about $49 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth in State personal income. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps because these bonds do not meet the definition of "State-supported debt" as set forth in the Debt Reform Act. The bonds are backed solely with dormitory rental revenue. 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 (millions of dollars)							
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity
FY 2018	1,210,641	4.00%	48,426	44,744	3,681	3.70%	0.30%
FY 2019	1,267,180	4.00%	50,687	48,936	1,751	3.86%	0.14%
FY 2020	1,325,014	4.00%	53,001	52,493	507	3.96%	0.04%
FY 2021	1,384,242	4.00%	55,370	55,321	49	4.00%	0.00%
FY 2022	1,445,224	4.00%	57,809	57,716	93	3.99%	0.01%
FY 2023	1,508,787	4.00%	60,351	60,235	117	3.99%	0.01%

TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
6,522	51,266
5,725	54,661
4,808	57,301
3,301	58,622
2,666	60,382
2,063	62,298

DEBT SERVICE SUBJECT TO CAP (millions of dollars)							
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity
FY 2018	165,470	5.00%	8,274	4,477	3,796	2.71%	2.29%
FY 2019	166,011	5.00%	8,301	4,800	3,501	2.89%	2.11%
FY 2020	169,996	5.00%	8,500	5,342	3,158	3.14%	1.86%
FY 2021	172,223	5.00%	8,611	5,704	2,907	3.31%	1.69%
FY 2022	177,182	5.00%	8,859	5,995	2,864	3.38%	1.62%
FY 2023	178,319	5.00%	8,916	6,429	2,487	3.61%	1.39%

TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
1,381	5,858
556	5,356
1,595	6,937
1,454	7,158
1,072	7,068
843	7,272

Changes in the State's available debt capacity, as illustrated below, reflect the impact of several factors. These include a reduction to the personal income forecast due almost entirely to income revisions by the Bureau of Economic Analysis (BEA). In recent quarters, BEA has made sizeable revisions to prior-year income levels, which in turn changes the base from which DOB calculates income projections going forward. The substantial reduction to personal income necessitates capital spending reductions in order to stay within the debt cap in future years. The spending reductions are expected to be managed within anticipated underspending on capital projects throughout the plan period. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit when the bonds become currently callable.

DEBT CAPACITY (millions of dollars)						
	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected
FY 2019 Executive Budget Financial Plan	**3,884**	**1,693**	**252**	**61**	**79**	**221**
Personal Income Forecast Adjustment	(458)	(110)	(46)	(47)	(43)	(25)
Capital Reestimates	255	528	806	444	340	(31)
Capital Adds	0	(360)	(505)	(409)	(283)	(48)
FY 2019 Enacted Budget Financial Plan	**3,681**	**1,751**	**507**	**49**	**93**	**117**

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, 2018, there were approximately $193 million of bonds outstanding for 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 $99 million for debt service costs. DASNY also estimates that the State will pay debt service costs of approximately $26 million in FY 2019, $28 million annually in FY 2020 and FY 2021, $22 million in FY 2022, and $17 million in FY 2023. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, 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 $9 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 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 with NYU Hospitals Center, 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 next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the "NMS Closing"), is anticipated to occur within 30 days after

all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. In its efforts to complete the demolitions and environmental remediation, the Purchaser is addressing issues raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

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

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

The final closing is anticipated to occur within 36 months after the NMS Closing. At the final closing, 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 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.

2018 Legislative Session

The State's regular legislative session for 2018 ended on June 20, 2018. Bills with a fiscal impact, approved by the Legislature during the session, may be signed or vetoed by the Governor. DOB continues to evaluate the fiscal impact of the legislative session and expects to reflect, in the First Quarterly Update to the Enacted Budget Financial Plan, the estimated costs associated with any bills that may be signed by the Governor, not already reflected in the Enacted Budget Financial Plan.

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State Financial Plan Projections Fiscal Years 2018 Through 2022

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Introduction

This section presents the State's multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2019 through FY 2022, with an emphasis on the FY 2019 projections, which reflect the impact of the Enacted Budget 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 of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking tax receipts for specific purposes.

- **Disbursements:** Roughly 30 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, 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 Enacted Budget Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2019 budget, FY 2020, is the most relevant from a planning perspective.

Summary

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

The projections for FY 2020 and thereafter set forth in the Enacted Budget Financial Plan reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Enacted Budget Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Enacted Budget Financial Plan tables as "Adherence to 2 percent Spending Benchmark." The total disbursements in the Enacted Budget Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2020, FY 2021, and/or FY 2022, the projected operating position could decline.

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

General Fund Projections

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes (After Debt Service)	67,370	67,695	71,258	73,127	76,101
Miscellaneous Receipts/Federal Grants	3,129	2,127	2,028	2,001	1,883
Other Transfers	921	2,838	2,254	1,816	1,762
Total Receipts	**71,420**	**72,660**	**75,540**	**76,944**	**79,746**
DISBURSEMENTS					
Local Assistance	46,072	51,063	53,918	57,009	59,472
School Aid	22,015	23,161	24,105	25,197	26,456
Medicaid/EP	13,397	14,331	15,719	16,797	17,677
All Other	10,660	13,571	14,094	15,015	15,339
State Operations	8,228	11,745	12,065	12,614	12,579
Personal Service	6,136	8,691	8,936	9,441	9,374
Non-Personal Service	2,092	3,054	3,129	3,173	3,205
General State Charges	5,572	7,553	8,098	8,618	9,140
Transfers to Other Funds	9,852	6,240	6,643	6,512	6,117
Debt Service	1,047	827	948	1,017	876
Capital Projects	2,191	3,257	3,567	3,292	2,897
State Share of Mental Hygiene Medicaid[1]	1,333	0	0	0	0
SUNY Operations	1,015	1,034	1,025	1,021	1,021
All Other	4,266	1,122	1,103	1,182	1,323
Total Disbursements	**69,724**	**76,601**	**80,724**	**84,753**	**87,308**
Use (Reservation) of Fund Balance:	**(1,696)**	**3,941**	**1,157**	**863**	**605**
Community Projects	10	29	9	8	0
Labor Agreements	(130)	0	0	0	0
Undesignated Fund Balance	(1,891)	1,905	0	0	0
Extraordinary Monetary Settlements[2]	315	2,007	1,148	855	605
BUDGET SURPLUS/(GAP) PROJECTIONS[3]	**0**	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(780)**	**(1,398)**	**(487)**

[1] The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.

[2] 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.

[3] Before actions to adhere to the 2 percent spending growth benchmark.

[4] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Enacted Budget Surplus/(Gap) Estimate at 2%" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes	77,953	76,528	81,350	83,397	86,679
Miscellaneous Receipts/Federal Grants	21,408	20,211	19,527	18,757	18,755
Total Receipts	**99,361**	**96,739**	**100,877**	**102,154**	**105,434**
DISBURSEMENTS					
Local Assistance	65,604	66,752	69,502	72,285	74,871
School Aid (School Year Basis)	25,639	26,553	27,509	28,692	29,983
DOH Medicaid[1]	19,143	20,358	21,490	22,535	23,402
Transportation	5,025	3,961	3,642	3,689	3,821
STAR	2,589	2,459	2,417	2,402	2,402
Higher Education	2,833	3,065	3,168	3,217	3,256
Social Services	2,837	2,972	3,047	3,073	3,112
Mental Hygiene	2,350	2,257	2,592	2,928	3,208
All Other[2]	5,188	5,127	5,637	5,749	5,687
State Operations	18,821	19,459	19,793	20,545	20,525
Personal Service	13,170	13,542	13,885	14,575	14,476
Non-Personal Service	5,651	5,917	5,908	5,970	6,049
General State Charges	7,853	8,542	9,124	9,713	10,249
Pension Contribution	2,442	2,469	2,590	2,753	2,918
Health Insurance	3,963	4,286	4,592	4,907	5,247
All Other	1,448	1,787	1,942	2,053	2,084
Debt Service	5,873	5,382	6,966	7,186	7,090
Capital Projects	0	0	0	0	0
Total Disbursements [3]	**98,151**	**100,135**	**105,385**	**109,729**	**112,735**
Net Other Financing Sources/(Uses)	772	(307)	(606)	(334)	(101)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(1,982)	3,703	1,087	963	445
General Fund	(1,696)	3,941	1,157	863	605
Special Revenue Funds	(277)	(233)	(64)	109	(90)
Debt Service Funds	(9)	(5)	(6)	(9)	(70)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(4,027)**	**(6,946)**	**(6,957)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**3,247**	**5,548**	**6,470**
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE AT 2%	**0**	**0**	**(780)**	**(1,398)**	**(487)**

[1] Total State share Medicaid funding includes the utilization of tobacco MSA payments which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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

[3] Before actions to adhere to the 2 percent spending growth benchmark.

[4] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. The "Enacted Budget Surplus/(Gap) Estimate at 2%" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund.

Receipts

Enacted Budget 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, as well as collection of a PMT on businesses in the MTA region. The multi-year tax and miscellaneous receipts estimates are prepared by DOB with the assistance of the DTF and other agencies which collect State receipts, and are predicated on economic analysis and forecasts.

Overall base growth (i.e., absent 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.

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

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see “Exhibit D - Principal State Taxes and Fees” herein.

The projections described below do not consider the impact that the ECEP or the State Charitable Gifts Trust Fund may have on PIT receipts.

Overview of the Receipts Forecast

All Funds receipts in FY 2019 are projected to total nearly $166 billion, 0.3 percent above FY 2018 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
Personal Income Tax	51,501	50,410	-2.1%	53,952	7.0%	55,010	2.0%	57,456	4.4%
Consumption/Use Taxes	16,711	17,303	3.5%	17,839	3.1%	18,390	3.1%	18,962	3.1%
Business Taxes	7,164	7,981	11.4%	8,630	8.1%	8,966	3.9%	9,123	1.8%
Other Taxes	2,451	2,229	-9.1%	2,341	5.0%	2,440	4.2%	2,543	4.2%
Payroll Mobility Tax*	1,439	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	**79,266**	**77,923**	**-1.7%**	**82,762**	**6.2%**	**84,806**	**2.5%**	**88,084**	**3.9%**
Miscellaneous Receipts	27,262	28,005	2.7%	26,172	-6.5%	25,005	-4.5%	24,988	-0.1%
Federal Receipts	58,942	60,083	1.9%	61,064	1.6%	62,412	2.2%	64,112	2.7%
Total All Funds Receipts	**165,470**	**166,011**	**0.3%**	**169,998**	**2.4%**	**172,223**	**1.3%**	**177,184**	**2.9%**

*The FY 2019 amount does not include MTA PMT because the Enacted Budget provides that the PMT will be remitted to MTA without an appropriation beginning in FY 2019.

State tax receipts are projected to decrease 1.8 percent from FY 2018 results, due in large part to the PMT moving off Budget. After accounting for this change, State tax receipt estimates remain flat compared to FY 2018 results. Refer to the Personal Income Tax section herein for additional explanation of the atypical growth rate pattern for FY 2018 and FY 2019.

Consistent with the projected growth in the State economy over the multi-year Enacted Budget Financial Plan period beyond FY 2019, all tax categories are projected to exhibit underlying annual outyear growth.

After controlling for the impact of tax law changes, base tax revenue increased 6.5 percent in FY 2018, and is projected to decrease by 0.1 percent in FY 2019 and increase by 11.8 percent in FY 2020.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**51,501**	**50,410**	**-2.1%**	**53,952**	**7.0%**	**55,010**	**2.0%**	**57,456**	**4.4%**
Gross Collections	62,035	62,102	0.1%	65,502	5.5%	66,335	1.3%	69,807	5.2%
Refunds (Incl. State/City Offset)	(10,534)	(11,692)	-11.0%	(11,550)	1.2%	(11,325)	1.9%	(12,351)	-9.1%
GENERAL FUND[1]	**36,037**	**22,746**	**-36.9%**	**24,559**	**8.0%**	**25,103**	**2.2%**	**26,326**	**4.9%**
Gross Collections	62,035	62,102	0.1%	65,502	5.5%	66,335	1.3%	69,807	5.2%
Refunds (Incl. State/City Offset)	(10,534)	(11,692)	-11.0%	(11,550)	1.2%	(11,325)	1.9%	(12,351)	-9.1%
STAR	(2,589)	(2,459)	5.0%	(2,417)	1.7%	(2,402)	0.6%	(2,402)	0.0%
RBTF	(12,875)	(25,205)	-95.8%	(26,976)	-7.0%	(27,505)	-2.0%	(28,728)	-4.4%

[1]Excludes Transfers.

All Funds personal income tax receipts for FY 2019 are estimated to total $50.4 billion, a decrease of $1.1 billion (2.1 percent) from FY 2018 results. This decrease is primarily driven by a decline in estimated payments related to the 2018 tax year coupled with an increase in total refunds. This decline is partially offset by growth in withholding and final returns.

The following table summarizes, by component, actual receipts for FY 2018 and forecast amounts through FY 2022.

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

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Receipts					
Withholding	40,269	41,782	43,033	44,024	46,144
Estimated Payments	17,781	16,221	18,157	17,802	18,960
Current Year	14,329	12,729	13,741	12,582	13,536
Prior Year[1]	3,452	3,492	4,416	5,220	5,424
Final Returns	2,478	2,599	2,748	2,908	3,032
Current Year	308	286	301	316	331
Prior Year[1]	2,170	2,313	2,447	2,592	2,701
Delinquent	1,507	1,500	1,564	1,601	1,671
Gross Receipts	62,035	62,102	65,502	66,335	69,807
Refunds					
Prior Year[1]	6,292	6,699	6,739	7,689	8,565
Previous Years	527	523	553	583	614
Current Year[1]	2,249	2,250	1,750	1,750	1,750
Advanced Credit Payment	610	1,247	1,709	479	573
State/City Offset[1]	856	973	799	824	849
Total Refunds	10,534	11,692	11,550	11,325	12,351
Net Receipts	**51,501**	**50,410**	**53,952**	**55,010**	**57,456**

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

Withholding in FY 2019 is estimated to be $1.5 billion (3.8 percent) higher than FY 2018 results, driven by modest wage growth. Extension payments related to tax year 2017 are expected to increase by $40 million (1.2 percent), primarily due to one-time payments related to the expiration of the Federal 10-year window to repatriate foreign hedge fund earnings. These one-time payments have been offset by an acceleration of New York State tax liability payments into December 2017 to take advantage of the uncapped Federal itemized deduction for State and local taxes paid for tax year 2017, leaving growth in extension payments nearly flat. Estimated payments for tax year 2018 are projected to decrease by $1.6 billion (11.2 percent), driven by a combination of a 3.3 percent decline in nonwage income and an inflated tax year 2017 estimated payments base, stemming from the TCJA and repatriation of foreign hedge fund earnings. FY 2019 final return payments are projected to increase by $121 million (4.9 percent) and delinquencies are projected to decline by $7 million (0.5 percent).

The projected growth in total refunds of $1.2 billion (11 percent) includes increases of $407 million (6.5 percent) in prior tax year (2017) refunds, $637 million (104.4 percent) in advanced credit payments related to tax year 2018, $117 million (13.7 percent) in the state-city offset, partially offset by a decline of $4 million (0.8 percent) in previous tax year (2016 and earlier) refunds. The administrative January-March refund cap will remain at the higher level in FY 2019, as in FY 2018.

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. General Fund PIT receipts for FY 2019 of $22.7 billion are projected to decrease by $13.3 billion (36.9 percent) from FY 2018 results, reflecting a combination of enacted legislation that doubled RBTF deposits from 25 percent to 50 percent of net PIT receipts, and the decline in All Funds receipts noted above. As a result, RBTF deposits are projected to nearly double to $25.2 billion. The FY 2019 STAR transfer is projected to be $2.5 billion.

All Funds PIT receipts for FY 2020 of $54 billion are projected to increase by $3.5 billion (7 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 5.5 percent, reflecting increases of $1.3 billion (3 percent) in withholding, $1 billion (8 percent) in estimated payments related to tax year 2019, $924 million (26.5 percent) in extension payments related to tax year 2018, $149 million (5.7 percent) in final returns, and $64 million (4.3 percent) in delinquencies. Total refunds are projected to decline $141 million (1.2 percent), due to the combination of a $500 million (22.2 percent) expected decline in the administrative refund cap and a $174 million (17.9 percent) decline in the state-city offset, partially offset by increases of $40 million (0.6 percent) in prior tax year (2018) refunds, $30 million (5.7 percent) in previous tax year (2017 and earlier) refunds, and $462 million (37 percent) in advanced credit payments. The modest growth in withholding is attributable to the expiration of the temporary high-income surcharge, scheduled to sunset after tax year 2019.

General Fund PIT receipts for FY 2020 of $24.6 billion are projected to increase by $1.8 billion (8 percent), mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $27 billion and the STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts for FY 2021 of $55 billion are projected to increase by $1.1 billion (2 percent) from FY 2020 estimates. Gross PIT receipts are projected to increase 1.3 percent, reflecting withholding that is projected to grow by $991 million (2.3 percent) and total refunds that are projected to decline by $225 million (1.9 percent), partially offset by a projected decrease in total estimated payments of $355 million (2 percent).

The relatively low withholding growth rate and the decline in total estimated payments reflect the aforementioned expiration of the high-income surcharge. The decline in total estimated payments includes a projected decline of $1.2 billion (8.4 percent) in estimated payments for tax year 2020, partially offset by a $804 million (18.2 percent) increase in extensions for tax year 2019. Final returns are expected to increase by $160 million (5.8 percent) and delinquencies are projected to increase $37 million (2.4 percent). The decline in total refunds is attributable to the scheduled expiration of the Property Tax Relief Credit.

General Fund PIT receipts for FY 2021 of $25.1 billion are projected to increase by $544 million (2.2 percent). RBTF deposits are projected to be $27.5 billion, and the STAR transfer is projected to be $2.4 billion.

All Funds PIT receipts in FY 2022 are projected to increase by $2.4 billion to $57.5 billion, while General Fund PIT receipts are projected to total $26.3 billion. Growth is projected to be suppressed by the combination of modest growth in extension payments related to tax year 2020 and an increase in tax year 2020-related refunds, both resulting from the aforementioned surcharge expiration.

Consumption/Use Taxes

CONSUMPTION/USE TAXES
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**16,711**	**17,303**	**3.5%**	**17,839**	**3.1%**	**18,390**	**3.1%**	**18,962**	**3.1%**
Sales Tax	14,495	15,086	4.1%	15,670	3.9%	16,263	3.8%	16,871	3.7%
Cigarette and Tobacco Taxes	1,171	1,119	-4.4%	1,068	-4.6%	1,020	-4.5%	977	-4.2%
Motor Fuel Tax	512	512	0.0%	507	-1.0%	504	-0.6%	501	-0.6%
Highway Use Tax	93	142	52.7%	142	0.0%	143	0.7%	145	1.4%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%
Opioid Epidemic Surcharge	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Medical Marihuana Excise Tax	2	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Taxicab Surcharge	56	50	-10.7%	50	0.0%	50	0.0%	50	0.0%
Auto Rental Tax	123	130	5.7%	135	3.8%	139	3.0%	144	3.6%
GENERAL FUND[1]	**7,377**	**7,647**	**3.7%**	**7,913**	**3.5%**	**8,185**	**3.4%**	**8,464**	**3.4%**
Sales Tax	6,776	7,057	4.1%	7,332	3.9%	7,612	3.8%	7,898	3.8%
Cigarette and Tobacco Taxes	342	328	-4.1%	316	-3.7%	304	-3.8%	294	-3.3%
Alcoholic Beverage Taxes	259	262	1.2%	265	1.1%	269	1.5%	272	1.1%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2019 are estimated to total $17.3 billion, a $592 million (3.5 percent) increase from FY 2018 results. Sales tax receipts are estimated to increase $591 million (4.1 percent) from FY 2018 results, reflecting base growth (i.e., absent law changes) of 4.2 percent. This base growth stems from estimated disposable income and consumption growth. Cigarette and tobacco tax collections are projected to decrease by $52 million (4.4 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are estimated to increase by $49 million (52.7 percent) as long-term trend levels resume following litigation-induced refund increases in FY 2018. Taxicab surcharge receipts are estimated to decline by $6 million (10.7 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are estimated to increase by $7 million (5.7 percent).

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

General Fund consumption/use tax receipts for FY 2019 are projected to total over $7.6 billion, a $270 million (3.7 percent) increase from FY 2018 results. This increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to total over $17.8 billion, a $536 million (3.1 percent) increase from FY 2019 estimates. The projected $584 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 3.8 percent due projected growth in disposable income and consumption, partially offset by the continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to total over $7.9 billion in FY 2020, a $266 million (3.5 percent) increase from FY 2019. The projected increase largely reflects the All Funds sales and use tax and cigarette tax trends, noted above.

All Funds consumption/use tax receipts for FY 2021 are projected to increase to nearly $18.4 billion, a $551 million (3.1 percent) increase from FY 2020. The projected increase reflects sales tax base growth of 3.9 percent, and a continued trend decline in taxable cigarette consumption. FY 2021 General Fund consumption/use tax receipts are projected to increase to nearly $8.2 billion, a $272 million (3.4 percent) increase from FY 2020 projections.

All Funds consumption/use tax receipts are projected to increase to nearly $19 billion (3.1 percent growth) in FY 2022, largely representing base growth in sales tax receipts, which is slightly offset by a continued trend decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to nearly $8.5 billion (3.4 percent growth) in FY 2022, reflecting the All Funds sales and use tax and cigarette tax trends, noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Proposed	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**7,164**	**7,981**	**11.4%**	**8,630**	**8.1%**	**8,966**	**3.9%**	**9,123**	**1.8%**
Corporate Franchise Tax	3,080	4,027	30.7%	4,482	11.3%	4,736	5.7%	4,780	0.9%
Corporation and Utilities Tax	748	700	-6.4%	710	1.4%	718	1.1%	727	1.3%
Insurance Tax	1,777	1,975	11.1%	2,201	11.4%	2,354	7.0%	2,467	4.8%
Bank Tax	467	143	-69.4%	71	-50.3%	0	-100.0%	0	0.0%
Petroleum Business Tax	1,092	1,136	4.0%	1,166	2.6%	1,158	-0.7%	1,149	-0.8%
GENERAL FUND	**4,916**	**5,626**	**14.4%**	**6,170**	**9.7%**	**6,470**	**4.9%**	**6,577**	**1.7%**
Corporate Franchise Tax	2,326	3,212	38.1%	3,610	12.4%	3,828	6.0%	3,828	0.0%
Corporation and Utilities Tax	570	530	-7.0%	537	1.3%	541	0.7%	547	1.1%
Insurance Tax	1,610	1,762	9.4%	1,963	11.4%	2,101	7.0%	2,202	4.8%
Bank Tax	410	122	-70.2%	60	-50.8%	0	-100.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2019 are estimated to total nearly $8 billion, an increase of $817 million (11.4 percent) from FY 2018 results. The estimate reflects increases in corporate franchise tax, insurance tax and petroleum business tax (PBT) receipts. Corporation and utilities tax and bank tax receipts are estimated to decline primarily due to higher receipts in FY 2018 that are not expected to recur in FY 2019.

Corporation franchise tax receipts are estimated to increase $947 million (30.7 percent) in FY 2019, reflecting higher gross receipts and audits. FY 2018 results were negatively impacted by a shortfall in cash remittances from taxpayers that continue to have overpayment balances from tax year 2015 that they can use to satisfy current year liability. It will likely be several years before many larger taxpayers need to remit cash payments for current liability. FY 2019 estimates also include $60 million resulting from taxable interest associated with the Federal TCJA repatriated earnings provision and $20 million from other TCJA flow-through impacts. Audit receipts are projected to increase in FY 2019 (by $137 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to decrease $48 million (6.4 percent) in FY 2019. Audits are projected to fall by $44 million as FY 2018 included payments from telecommunication companies that are not expected to recur. Gross receipts from telecommunications companies are expected to decline due to industry competitiveness and the movement of most communications to internet-based solutions which are not taxable. In 2017, over 90 percent of the population owned a smartphone.

Insurance tax receipts for FY 2019 are estimated to increase $198 million (11.1 percent) from FY 2018. Projected growth in tax year 2018 liability as well as lower expected credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC) account for the year-over-year increase. The LICGC exists to protect policyholders from the insolvency of their life

insurers. This is the third year of claims for the credit for assessments paid earlier. FY 2019 also includes a part-year revenue increase from the conversion of a not-for-profit health insurer to a for-profit health insurer.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to decrease by $324 million (69.4 percent) in FY 2019, stemming from lower audit receipts ($296 million) and smaller prior period adjustments. PBT receipts are estimated to increase $44 million (4 percent) in FY 2019, primarily due to the 5 percent decrease in the PBT rate index effective January 1, 2018 and the projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2019 of $5.6 billion are projected to increase $710 million (14.4 percent) from FY 2018 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of nearly $8.6 billion are projected to increase by $649 million (8.1 percent) from FY 2019 estimates. The corporation franchise tax receipts increase of $455 million (11.3 percent) reflects projected growth in corporate profits and a stabilization of liability as taxpayers adjust to all aspects of State corporate tax reform (effective tax year 2015). The corporation and utilities tax receipts increase of $10 million (1.4 percent) is primarily attributable to growth in the utilities section of the tax. This projection includes $71 million in TCJA flow-through impacts in the corporation franchise tax.

Insurance tax receipts for FY 2020 of $2.2 billion are projected to increase $226 million (11.4 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LICGC credit claims contribute to this year-over-year growth. FY 2020 includes the full year impact from the health insurer conversion described earlier. Receipts from the repealed bank tax are projected to decrease by $72 million (50.3 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase $30 million (2.6 percent) in FY 2020 due to a projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2020 of $6.2 billion are projected to increase $544 million (9.7 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2021 of nearly $9 billion are projected to increase by $336 million (3.9 percent), and General Fund business tax receipts are projected to increase to nearly $6.5 billion (4.9 percent growth) from FY 2020 projections. The increase is primarily reflective of growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. Increases in projected corporation and utilities tax and insurance tax receipts are partially offset by a decline in projected bank tax and PBT receipts. This projection includes $52 million in TCJA flow-through impacts in the corporation franchise tax.

All Funds business tax receipts for FY 2022 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. In FY 2022, All Funds business tax receipts are projected to increase to $9.1 billion (1.8 percent growth), and General Fund business tax receipts are projected to increase to nearly $6.6 billion (1.7 percent growth). This projection includes $53 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	**2,451**	**2,229**	**-9.1%**	**2,341**	**5.0%**	**2,440**	**4.2%**	**2,543**	**4.2%**
Estate and Gift Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Real Estate Transfer Tax	1,125	1,178	4.7%	1,231	4.5%	1,267	2.9%	1,305	3.0%
Employer Compensation Expense Tax	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,326**	**1,051**	**-20.7%**	**1,110**	**5.6%**	**1,173**	**5.7%**	**1,238**	**5.5%**
Estate and Gift Tax	1,308	1,033	-21.0%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Employer Compensation Expense Tax	0	TBD	0.0%	TBD	TBD	TBD	TBD	TBD	TBD
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2019 are estimated to total over $2.2 billion, a decrease of $222 million (9.1 percent) from FY 2018 results. This is primarily due to an estimated $275 million (21 percent) decrease in estate tax receipts which is a result of a return to a historical average in both the number and payment value of super-large (i.e., over $25 million) payments. Real estate transfer tax receipts are expected to increase by $53 million (4.7 percent) due to estimated growth in housing starts and housing prices.

General Fund other tax receipts are estimated to approach $1.1 billion in FY 2019, a decrease of $275 million (20.7 percent) from FY 2018 results, reflecting the estate tax receipts decrease noted above.

All Funds other tax receipts for FY 2020 are projected to total over $2.3 billion, a $112 million (5 percent) increase from FY 2019 estimates. The $59 million (5.7 percent) projected increase in estate tax receipts reflects projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $53 million (4.5 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to be slightly above $1.1 billion, an increase of $59 million (5.6 percent) from FY 2019 estimates due to the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 are projected to be over $2.4 billion, a $99 million (4.2 percent) increase from FY 2020 projections. Estate tax receipts are projected to increase by

$63 million (5.8 percent) in FY 2021, reflecting projected growth in household net worth. The $36 million (2.9 percent) projected increase in real estate transfer tax receipts in FY 2021 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2021 are projected to total slightly below $1.2 billion, an increase of $63 million (5.7 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2022 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be over $2.5 billion in FY 2022, an increase of $103 million (4.2 percent).

General Fund other tax receipts are projected to be over $1.2 billion in FY 2022, an increase of $65 million (5.5 percent).

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 revenue, 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 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**27,262**	**28,005**	**2.7%**	**26,172**	**-6.5%**	**25,005**	**-4.5%**	**24,988**	**-0.1%**
General Fund	3,129	2,127	-32.0%	2,028	-4.7%	2,001	-1.3%	1,883	-5.9%
Special Revenue Funds	17,933	17,713	-1.2%	17,115	-3.4%	16,374	-4.3%	16,492	0.7%
Capital Projects Funds	5,729	7,667	33.8%	6,560	-14.4%	6,161	-6.1%	6,145	-0.3%
Debt Service Funds	471	498	5.7%	469	-5.8%	469	0.0%	468	-0.2%

All Funds miscellaneous receipts are projected to total $28 billion in FY 2019, an increase of 2.7 percent from FY 2018 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or STIP) in the first instance and subsequently reimbursed with authority bond proceeds, at which time they are captured as miscellaneous receipts.

All Funds miscellaneous receipts are projected to decline annually after FY 2019, reflecting the impact of Extraordinary Monetary Settlements received and a decrease in bond proceeds reimbursements in later years, which subsequently corresponds to the spending out of bond-financed capital projects.

Federal Grants

FEDERAL GRANTS (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
ALL FUNDS	**58,942**	**60,083**	**1.9%**	**61,064**	**1.6%**	**62,412**	**2.2%**	**64,112**	**2.7%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	56,744	57,576	1.5%	58,762	2.1%	60,152	2.4%	61,853	2.8%
Capital Projects Funds	2,125	2,433	14.5%	2,229	-8.4%	2,187	-1.9%	2,187	0.0%
Debt Service Funds	73	74	1.4%	73	-1.4%	73	0.0%	72	-1.4%

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

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

With 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 policies that may be proposed and adopted by the Trump administration and current Congress. If Federal funding to the State were reduced, this could have a materially adverse impact on the Enacted Budget Financial Plan. The FY 2018 Enacted Budget included authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Responding to Federal Tax Reform

RESPONDING TO FEDERAL TAX REFORM (millions of dollars)	General Fund		All Funds	
	FY 2019	FY 2020	FY 2019	FY 2020
Maintain 2017 Empire State Child Tax Credit Benefits	0	0	0	0
Decouple PIT from Federal SALT & State Single Filer Standard Deduction	0	(1,525)	0	(1,525)
Eliminate Repatriation Tax Deduction	2,000	0	2,000	0
Establish State and Local Charitable Gifts Trust Funds	0	0	0	0
Allow NYC PIT Decoupling from Charity Itemized Deduction	0	0	0	0
Impose an Employer Compensation Expense Tax	TBD	TBD	TBD	TBD
TOTAL RESPONDING TO FEDERAL TAX REFORM	**2,000**	**(1,525)**	**2,000**	**(1,525)**

- **Maintain 2017 Empire State Child Tax Credit Benefits.** The TCJA of 2017 changed the maximum value of the Federal child tax credit as well as the range of incomes eligible for the credit. Absent Enacted Budget legislation, these changes would have increased the total tax expenditure related to the Empire State Child Tax Credit, since the State credit is based on the Federal credit. This Budget permanently calculates the State credit based on the Federal credit calculation in effect prior to the TCJA.

- **Decouple PIT from Federal SALT & State Single Filer Standard Deduction.** Effective tax year 2018, the TCJA limits the SALT paid deduction to $10,000 annually and eliminates personal exemptions entirely. Absent Enacted Budget legislation, the SALT deduction cap would restrict property taxes paid deductibility on State returns to the $10,000 limit, and the elimination of personal exemptions would have limited the standard deduction for single filers to the lesser amount claimable by dependent filers. The Enacted Budget allows unrestricted State deductibility of property taxes paid and retains the full value of the State standard deduction for single filers.

- **Eliminate Repatriation Tax Deduction.** To avoid a large unintended revenue loss, the State is decoupled from the new Federal tax deduction relating to the repatriation of certain foreign income.

- **Establish State and Local Charitable Gifts Funds.** While the TCJA limits the SALT paid deduction to $10,000 annually, the deduction for charitable gifts remain uncapped. Newly established state and local charitable gifts funds allow taxpayers to make gifts to funds of their choice and benefit from charitable gifts deductions on both Federal and State returns, while receiving tax credits equal to up to 95 percent of their charitable gifts.

- **Allow NYC PIT Decoupling from Charity Itemized Deduction.** The Federal itemized deduction for charitable gifts flows-through to State returns and, for NYC residents, into the calculation of NYC PIT liability. NYC is authorized to decouple from the charitable gifts itemized deduction with respect to gifts made to the newly established State and local charitable gifts funds, thereby protecting NYC tax revenue.

- **Impose an Employer Compensation Expense Tax.** Businesses, unlike individuals, retain full deductibility of SALT paid following enactment of the TCJA. To mitigate the impact of the cap on SALT deductions on individual taxpayers, legislation included with the Enacted Budget imposes a tax on compensation expenses paid by participating employers. The tax is applicable to a participating employer's calendar year payroll expenses exceeding $40,000 for each individual employee. The tax rate is gradually increased to 5 percent over a three-year phase-in period. Employees of participating employers are entitled to a credit to offset the expected impact of the Employer Compensation Expense Tax on wages.

See the discussion under the heading "Financial Plan Overview – Impact of Federal Tax Law changes" for more information on the State's response to Federal tax law changes.

Disbursements

In FY 2019, total disbursements from the State's General Fund, including transfers, are expected to be $76.6 billion and total disbursements from State Operating Funds are expected to be $100.1 billion. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $66.8 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

		Forecast			
	FY 2018 Results[1]	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,207,104	6,262,173	6,289,708	6,303,475	6,310,359
Essential Plan - Individuals Covered	728,807	733,755	737,615	739,715	741,821
Child Health Plus - Individuals Covered	364,401	395,199	410,703	418,455	422,493
State Takeover of County/NYC Costs[2]	$2,996	$3,337	$3,677	$4,027	$4,389
EDUCATION					
School Aid (School Year Basis Funding)	$25,639	$26,553	$27,509	$28,692	$29,983
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	557,854	557,854	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	275,916	276,207	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	217,760	214,749	211,525	208,308	205,200
Safety Net Program (Families)	120,905	119,575	117,673	115,815	114,035
Safety Net Program (Singles)	206,880	209,570	211,088	213,086	215,112
MENTAL HYGIENE					
OMH Community Beds	43,347	46,166	47,358	47,992	48,542
OPWDD Community Beds	43,080	43,511	43,859	44,210	44,563
OASAS Community Beds	13,256	13,485	13,754	13,805	13,889
Total	99,683	103,162	104,971	106,007	106,994
PRISON POPULATION	49,800	49,800	49,800	49,800	49,800

[1] Reflects preliminary unaudited results.

[2] Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then phased-out completely as of calendar year 2015. A portion of the State takeover costs are funded from Master Settlement Agreement resources.

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to total $26.6 billion in SY 2019, an annual increase of $914 million (3.6 percent), including a $618 million Foundation Aid increase. A Community Schools set-aside of $200 million within Foundation Aid (a $50 million increase from the prior year) provides funds intended to facilitate the transformation of schools into community hubs. In addition, another $245 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Enacted Budget Financial Plan provides $50 million for new competitive grant programs, highlighted by a $15 million investment to expand prekindergarten programs for three- and four-year-old students targeted to high-need school districts, and $10 million to expand the Empire State After-School Program, helping to keep young people safe and engaged during after school hours. The State provides over $800 million in recurring annual support for three- and four-year old prekindergarten programs, including $340 million for the Statewide Universal Full-Day Prekindergarten programs.

School Aid is projected to increase by an additional $956 million (3.6 percent) in SY 2020.

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

	SY 2018	SY 2019	Change	SY 2020	Change	SY 2021	Change	SY 2022	Change
Total	25,639	26,553	914	27,509	956	28,692	1,183	29,983	1,291
			3.6%		3.6%		4.3%		4.5%

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

State Fiscal Year

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

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

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

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**25,457**	**26,502**	**4.1%**	**27,476**	**3.7%**	**28,570**	**4.0%**	**29,829**	**4.4%**
General Fund Local Assistance	21,954	23,111	5.3%	24,056	4.1%	25,147	4.5%	26,406	5.0%
Medicaid	61	50	-18.0%	50	0.0%	50	0.0%	50	0.0%
Core Lottery Aid	2,395	2,294	-4.2%	2,288	-0.3%	2,291	0.1%	2,291	0.0%
VLT Lottery Aid	958	907	-5.3%	934	3.0%	934	0.0%	934	0.0%
Commercial Gaming - VLT Offset	8	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Commercial Gaming	81	140	72.8%	148	5.7%	148	0.0%	148	0.0%

State fiscal year spending for School Aid is projected to total $26.5 billion in FY 2019, a 4.1 percent increase over FY 2018. Over the multi-year Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2020. In addition to State aid, school districts currently receive more than $3 billion annually in Federal aid.

State aid payments for School Aid are supplemented by commercial gaming revenues shared with the State by commercial gaming facilities. These receipts are expected to increase in FY 2020 by $8 million but remain flat thereafter. Between December 2014 and August 2016, four casino resorts were recommended by the State's Gaming Facility Location Board and approved by the State Gaming Commission. The approved casinos have since opened and are in operation. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources must be paid from the General Fund.

Other Education Funding

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

OTHER EDUCATION (millions of dollars)									
	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,147**	**2,355**	**9.7%**	**2,342**	**-0.6%**	**2,417**	**3.2%**	**2,505**	**3.6%**
Special Education	1,264	1,352	7.0%	1,397	3.3%	1,459	4.4%	1,525	4.5%
All Other Education	883	1,003	13.6%	945	-5.8%	958	1.4%	980	2.3%

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 Special Education spending in FY 2019 is due to lower-than-expected summer school and preschool special education claims submitted during FY 2018 that are expected to materialize in FY 2019. Outyear growth for Special Education is 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 increase in All Other Education spending in FY 2019 primarily reflects a continuation or increase of one-time aid and grants. The decrease in spending levels in All Other Education in FY 2020 is largely attributable to the discontinuation of one-time aid and grants. Projected increases for charter school supplemental basic tuition and nonpublic schools are expected to drive growth in FY 2021 and thereafter.

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 receive a $66,800 exemption in FY 2019. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares of projected FY 2019 program costs are: the Basic school property tax exemption or credit for homeowners with incomes under $500,000 (53 percent); Enhanced school property tax exemption or credit for senior citizen homeowners with incomes under $86,000 (28 percent); and a credit for income-eligible resident New York City personal income taxpayers (19 percent). The FY 2018 Enacted Budget included the conversion of the New York City PIT rate reduction benefit into a PIT tax credit, which began to reduce and will eventually eliminate it as a component of State Operating Funds spending. This change has no impact on the value of the STAR benefit received by taxpayers.

STAR property tax exemption spending reflects reimbursements made to school districts to offset a reduction in the amount of property tax revenue collected from STAR-eligible homeowners. In FY 2017, the STAR exemption program began a gradual shift from a spending program into an advance refundable PIT credit program, with this change applying to first-time homebuyers and to homeowners who move. Likewise, this change has no impact on the value of the STAR benefit received by homeowners.

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,589**	**2,459**	**-5.0%**	**2,417**	**-1.7%**	**2,402**	**-0.6%**	**2,402**	**0.0%**
Gross Program Costs	3,425	3,321	-3.0%	3,361	1.2%	3,422	1.8%	3,495	2.1%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(501)	(862)	-72.1%	(944)	-9.5%	(1,020)	-8.1%	(1,093)	-7.2%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Basic Exemption	1,623	1,593	-1.8%	1,566	-1.7%	1,556	-0.6%	1,556	0.0%
Gross Program Costs	1,762	1,746	-0.9%	1,763	1.0%	1,792	1.6%	1,828	2.0%
Personal Income Tax Credit	(139)	(153)	-10.1%	(197)	-28.8%	(236)	-19.8%	(272)	-15.3%
Enhanced (Senior) Exemption	908	866	-4.6%	851	-1.7%	846	-0.6%	846	0.0%
Gross Program Costs	986	949	-3.8%	958	0.9%	974	1.7%	994	2.1%
Personal Income Tax Credit	(78)	(83)	-6.4%	(107)	-28.9%	(128)	-19.6%	(148)	-15.6%
New York City PIT	58	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	677	626	-7.5%	640	2.2%	656	2.5%	673	2.6%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(284)	(626)	-120.4%	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%
FY 2017 Overpayment[1]	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%

[1] Conversion of the NYC Rate Reduction Benefit to Personal Income Credit pertains to 2017 tax year. As such, it was retroactively made effective to January 1, 2017.

Much of the spending decline projected for FY 2019 is attributable to the timing of the New York City rate reduction benefit payout, upon conversion to a PIT credit. STAR actions that were enacted with the FY 2017 Enacted Budget will continue to result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Enacted Budget Financial Plan as STAR actions are implemented, particularly those revenue reductions driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

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

HIGHER EDUCATION (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,833**	**3,065**	**8.2%**	**3,168**	**3.4%**	**3,217**	**1.5%**	**3,256**	**1.2%**
City University	**1,465**	**1,494**	**2.0%**	**1,525**	**2.1%**	**1,556**	**2.0%**	**1,588**	**2.1%**
Senior Colleges	1,211	1,234	1.9%	1,269	2.8%	1,300	2.4%	1,332	2.5%
Community College	254	260	2.4%	256	-1.5%	256	0.0%	256	0.0%
Higher Education Services	**879**	**1,089**	**23.9%**	**1,158**	**6.3%**	**1,176**	**1.6%**	**1,183**	**0.6%**
Tuition Assistance Program	813	900	10.7%	940	4.4%	950	1.1%	957	0.7%
Scholarships/Awards	55	177	221.8%	206	16.4%	214	3.9%	214	0.0%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	**489**	**482**	**-1.4%**	**485**	**0.6%**	**485**	**0.0%**	**485**	**0.0%**
Community College	484	477	-1.4%	481	0.8%	481	0.0%	481	0.0%
Other/Cornell	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State also annually provides more than $1.0 billion for SUNY state-operated campuses operations through a General Fund transfer and fully supports the fringe benefits costs of SUNY employees at state-operated campuses totaling nearly $2.0 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at $1.2 billion in FY 2019, an increase of $24 million from FY 2018 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, Tuition Assistance Program (TAP), and 24 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 400,000 students.

Higher education spending is projected to increase by $232 million, or 8.2 percent, from FY 2018 to FY 2019. This change in spending largely reflects the launch of the second phase of the Excelsior Free Tuition Program, increased funding for scholarships, fringe benefit increases at CUNY, and the timing of certain payments during academic year 2018. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 53 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when it is fully phased in.

Health Care

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

DOH is also engaged in a multi-year initiative to implement the Delivery System Reform Incentive Payment (DSRIP) program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, with a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Enacted Budget Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of nearly $8 billion through FY 2021, with the remaining funds expected to be disbursed beyond FY 2021. A portion of DSRIP funding flows through the SUNY hospital system and other State-operated health care facilities.

Medicaid

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

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

The Enacted Budget Financial Plan reflects the continuation of the Global Cap through FY 2022, and the projections assume that statutory authority will be extended in subsequent years. Allowable Growth under the cap for medical services is 3.2 percent in FY 2019 and estimated at 3.1 percent for each subsequent year through FY 2022.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Medicaid Global Cap[1]	**18,270**	**18,863**	**19,446**	**20,048**	**20,667**
Annual % Change		3.2%	3.1%	3.1%	3.1%

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1]
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Department of Health Medicaid	19,441	20,279	21,521	22,528	23,395
Local Assistance	19,143	20,358	21,490	22,535	23,402
State Operations	298	356	358	364	364
MSA Payments (Share of Local Growth)[2]	0	(435)	(327)	(371)	(371)
Other State Agency Medicaid Spending	4,409	2,934	3,150	3,463	3,685
Mental Hygiene[3]	4,271	2,797	3,009	3,319	3,539
Foster Care	77	85	89	92	96
Education	61	50	50	50	50
Corrections	0	2	2	2	0
Total State Share Medicaid (All Agencies)	**23,850**	**23,213**	**24,671**	**25,991**	**27,080**
Annual $ Change		(637)	1,458	1,320	1,089
Annual % Change		-2.7%	6.3%	5.4%	4.2%
Essential Plan[4]	**88**	**102**	**98**	**93**	**87**
Local Assistance	0	0	0	0	0
State Operations	88	102	98	93	87

[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 minimum wage increases.

[2] MSA payments will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

[3] The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

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

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

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

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS	**23,938**	**23,315**	**-2.6%**	**24,769**	**6.2%**	**26,084**	**5.3%**	**27,167**	**4.2%**
Department of Health Medicaid	**19,529**	**20,381**	**4.4%**	**21,619**	**6.1%**	**22,621**	**4.6%**	**23,482**	**3.8%**
General Fund - DOH Medicaid Local	13,397	14,331	7.0%	15,719	9.7%	16,797	6.9%	17,677	5.2%
DOH Medicaid	11,138	11,448	2.8%	12,223	6.8%	13,072	6.9%	13,686	4.7%
Mental Hygiene - Global Cap Adjustment[2]	1,269	1,698	33.8%	1,701	0.2%	1,702	0.1%	1,704	0.1%
Minimum Wage	255	703	175.7%	1,022	45.4%	1,111	8.7%	1,193	7.4%
Local Growth Takeover (Zero Growth Phase-in)[3]	735	917	24.8%	1,100	20.0%	1,283	16.6%	1,465	14.2%
MSA Payments (Share of Local Growth)[4]	0	(435)	0.0%	(327)	24.8%	(371)	-13.5%	(371)	0.0%
General Fund - DOH Medicaid State Ops	298	356	19.5%	358	0.6%	364	1.7%	364	0.0%
General Fund - Essential Plan	88	102	15.9%	98	-3.9%	93	-5.1%	87	-6.5%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	88	102	15.9%	98	-3.9%	93	-5.1%	87	-6.5%
Other State Funds - DOH Medicaid Local	5,746	5,592	-2.7%	5,444	-2.6%	5,367	-1.4%	5,354	-0.2%
HCRA Financing	3,966	3,837	-3.3%	3,689	-3.9%	3,612	-2.1%	3,598	-0.4%
Indigent Care Support	922	892	-3.3%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	858	863	0.6%	863	0.0%	863	0.0%	864	0.1%
Other State Agency Medicaid Spending[7]	**4,409**	**2,934**	**-33.5%**	**3,150**	**7.4%**	**3,463**	**9.9%**	**3,685**	**6.4%**
USE OF MSA PAYMENTS (Share of Local Growth)[4]	**0**	**435**	**0.0%**	**327**	**-24.8%**	**371**	**13.5%**	**371**	**0.0%**
LOCAL SHARE OF MEDICAID[5,6]	**7,949**	**8,300**	**4.4%**	**7,902**	**-4.8%**	**7,408**	**-6.3%**	**7,419**	**0.1%**
FEDERAL SHARE OF MEDICAID	**41,534**	**42,793**	**3.0%**	**43,702**	**2.1%**	**44,795**	**2.5%**	**45,964**	**2.6%**
DOH Medicaid	37,659	38,820	3.1%	39,704	2.3%	40,783	2.7%	41,941	2.8%
Essential Plan	3,875	3,973	2.5%	3,998	0.6%	4,012	0.4%	4,023	0.3%
ALL FUNDING SOURCES	**73,421**	**74,843**	**1.9%**	**76,700**	**2.5%**	**78,658**	**2.6%**	**80,921**	**2.9%**

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

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

[3] As of County Year (CY) 2015 the full share of local Medicaid services growth has been financed with State resources.

[4] MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of local Medicaid growth.

[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.

[6] 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.

[7] The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The Enacted Budget Financial Plan includes $425 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These reforms represent modifications to the Medicaid long-term care program to ensure access to long-term care services and support for a growing aging population; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; and enhancement of certain Medicaid services and practices, including covered telehealth and claims editing development.

The General Fund gap-closing plan anticipates the receipt of direct payments associated with the purchase of Fidelis assets by Centene. In FY 2019, the State expects over $1 billion in payments to be deposited into the Health Care Transformation Fund to offset expenses for capital investment, debt retirement or restructuring, housing and other social determinants of health, or transitional operating support to health care providers. In FY 2020, the conversion proceeds deposit will total $468 million, followed by a $118 million deposit in FY 2021 and FY 2022.

MSA payments are planned to be used to fund a portion of the non-Federal share of annual Medicaid growth, formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but the Enacted Budget Financial Plan assumes that the MSA payments will provide financial plan relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
State Share Support	**23,938**	**23,750**	**25,096**	**26,455**	**27,538**
State Funds Medicaid Disbursements[1,2]	23,938	23,315	24,769	26,084	27,167
MSA Payments (Local Growth)	0	435	327	371	371

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

[2] The FY 2019 Enacted Budget reclassifies all spending from two State special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately $1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The Enacted Budget Financial Plan includes additional General Fund support for costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.[24] The impact of these minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by $703 million in FY 2019; $1.0 billion in FY 2020; $1.1 billion in FY 2021; and $1.2 billion in FY 2022.

[24] Home health care workers in New York City and certain counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York City; $3.22 for Westchester, Nassau, and Suffolk counties), resulting in total compensation which otherwise would have exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.3 million by the end of FY 2019, a slight increase from FY 2018. This moderate increase is in part driven by an increase in elderly enrollees in the Medicaid program.

The ability to offset rising costs within the Medicaid Global Cap exists through the Medicaid integrity and efficiency initiative, which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide savings. Savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap, as noted above.

Essential Plan (EP)

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

ESSENTIAL PLAN
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL ALL FUNDS SPENDING	**3,963**	**4,075**	**2.8%**	**4,096**	**0.5%**	**4,105**	**0.2%**	**4,110**	**0.1%**
State Operating Funds	**88**	**102**	**15.9%**	**98**	**-3.9%**	**93**	**-5.1%**	**87**	**-6.5%**
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	88	102	15.9%	98	-3.9%	93	-5.1%	87	-6.5%
Federal Operating Funds	**3,875**	**3,973**	**2.5%**	**3,998**	**0.6%**	**4,012**	**0.4%**	**4,023**	**0.3%**

The multi-year Enacted Budget Financial Plan reflects a mix of factors, including stabilizing enrollment trends and growth in the Federal marketplace premium index for base program expenses. This change in the premium index generates a higher Federal reimbursement rate, eliminating EP program costs for the State and allowing for the local assistance program to be fully federally financed.

State savings associated with the EP local assistance program are managed within the total available resources of the Medicaid Global Cap. This includes a portion of the spending associated with increasing EP enrollment in part, reflecting the transition of certain individuals from the Medicaid program to the EP program based on changes in income levels.

In FY 2018, the Trump Administration took unilateral executive action to withhold CSR payments, putting low-cost health insurance coverage for income eligible recipients at risk. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Enacted Budget continues to support the EP program. In order to offset this loss of funding, the State will utilize EP Medical Loss Ratio (MLR) remittances, reduce reimbursement rates to plans, and accelerate trust fund monies to maximize Federal benefits.

It is not possible at this time to assess the potential fiscal impact of long-term policies that may be adopted. The Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

Public Health includes the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families, up to the age of 19; the General Public Health Work (GPHW) program that reimburses local health departments for the cost of providing certain public health services; the Elderly Pharmaceutical Insurance Coverage (EPIC) program that provides prescription drug insurance to seniors; and the Early Intervention (EI) program that pays for services to infants and toddlers under the age of three, with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments 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 State Office for the Aging (SOFA) promotes and administers programs and services for New Yorkers 60 years of age and older. SOFA primarily oversees community-based services (including in-home services and nutrition assistance) provided through a network of county Area Agencies on Aging (AAA) and local providers.

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,668**	**1,626**	**-2.5%**	**1,766**	**8.6%**	**1,880**	**6.5%**	**1,890**	**0.5%**
Public Health	**1,544**	**1,497**	**-3.0%**	**1,641**	**9.6%**	**1,750**	**6.6%**	**1,754**	**0.2%**
Child Health Plus	291	296	1.7%	413	39.5%	537	30.0%	537	0.0%
General Public Health Work	195	155	-20.5%	204	31.6%	208	2.0%	212	1.9%
EPIC	126	125	-0.8%	131	4.8%	128	-2.3%	128	0.0%
Early Intervention	175	173	-1.1%	173	0.0%	165	-4.6%	165	0.0%
HCRA Program	388	372	-4.1%	394	5.9%	384	-2.5%	384	0.0%
All Other	369	376	1.9%	326	-13.3%	328	0.6%	328	0.0%
Aging	**124**	**129**	**4.0%**	**125**	**-3.1%**	**130**	**4.0%**	**136**	**4.6%**

The Enacted Budget Financial Plan reflects the proposal to discontinue cost of living payments to certain DOH providers. This action will result in savings of $19.9 million in FY 2019 and $45.4 million in FY 2020. Declining spending for HCRA and other public health programs is partly affected by funding a greater portion of the Roswell Park Cancer Institute (RPCI) with Capital Projects Fund dollars. Savings of $40 million in FY 2019 are realized for the GPHW program, resulting from a one-time recoupment of ineligible claims paid during program years 2015 and 2016.

The Enacted Budget Financial Plan reflects an increase in the Federal match to 88 percent for the Hunger Prevention and Nutritional Assistance program through the CHP program, resulting in Enacted Budget Financial Plan savings.

The Enacted Budget Financial Plan reflects SOFA savings realized by eliminating the planned 1.9 percent increase in the Human Services Cost of Living increase, resulting in $4 million in annual savings for FY 2019 through FY 2022.

HCRA Financial Plan

HCRA was established in 1996 to help fund a portion of State health care activities. Extensions and modifications to HCRA have financed new health care programs, including Family Health Plus (FHP) and CHP. HCRA has also provided additional funding for the health care industry, including investments in worker recruitment and retention, and Doctors Across New York program. HCRA authorization is extended through FY 2020, pursuant to legislation included in the FY 2018 Enacted Budget.

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

HCRA FINANCIAL PLAN FY 2018 THROUGH FY 2022
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
OPENING BALANCE	**12**	**15**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,873**	**5,771**	**5,788**	**5,756**	**5,723**
Surcharges	3,407	3,369	3,428	3,496	3,496
Covered Lives Assessment	1,103	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	829	791	752	716	683
Hospital Assessments	437	424	424	424	424
NYC Cigarette Tax Transfer/Other	97	77	74	75	75
TOTAL DISBURSEMENTS AND TRANSERS	**5,870**	**5,786**	**5,788**	**5,756**	**5,723**
Medicaid Assistance Account[1]	3,966	3,837	3,689	3,612	3,598
Medicaid Costs	*3,769*	*3,640*	*3,492*	*3,415*	*3,401*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	922	892	892	892	892
HCRA Program Account	394	380	402	392	392
Child Health Plus	295	307	428	556	554
Elderly Pharmaceutical Insurance Coverage	137	136	142	140	139
SHIN-NY/APCD	17	40	40	0	0
All Other	139	194	195	164	148
ANNUAL OPERATING SURPLUS/(DEFICIT)	**3**	**(15)**	**0**	**0**	**0**
CLOSING BALANCE	**15**	**0**	**0**	**0**	**0**

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

Total HCRA receipts are forecasted to decline by 1.7 percent in FY 2019 partly due to reductions in anticipated surcharges and cigarette tax revenues. Annual growth beyond FY 2020 plateaus with the expiration of the extension suspending the covered lives reconciliation, causing revenue collection to revert to the levels set in statute in FY 2021. Similarly, declines in estimated cigarette tax collections attributable to lower consumption, amplify the downward trend in HCRA receipts in the outyears.

Total HCRA disbursements are commensurate with the multi-year revenue forecast. The Enacted Budget Financial Plan reflects increased FY 2019 HCRA funding for the Diversity in Medicine program, Rural Health Access initiative, and the Rural Health Network Development programs. The Diversity in Medicine program works to help address the gap in physician diversity through outreach and scholarships. The Rural Health Access and Rural Health Development programs provide support and grants to rural healthcare systems to promote more effective delivery through planning, coordination, development, implementation and operation of local networks.

HCRA is expected to remain in balance over the multi-year projection period. Under the current HCRA appropriation structure, spending reductions will occur if resources are insufficient to meet spending levels. Any 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 otherwise be paid from the General Fund.

Mental Hygiene

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

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

MENTAL HYGIENE
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,350**	**2,257**	**-4.0%**	**2,592**	**14.8%**	**2,928**	**13.0%**	**3,208**	**9.6%**
People with Developmental Disabilities	**2,115**	**2,272**	**7.4%**	**2,438**	**7.3%**	**2,682**	**10.0%**	**2,876**	**7.2%**
Residential Services	1,299	1,391	7.1%	1,480	6.4%	1,620	9.5%	1,735	7.1%
Day Programs	609	653	7.2%	694	6.3%	760	9.5%	814	7.1%
Clinic	19	20	5.3%	21	5.0%	23	9.5%	25	8.7%
All Other Services (Net)	188	208	10.6%	243	16.8%	279	14.8%	302	8.2%
Mental Health	**1,181**	**1,326**	**12.3%**	**1,473**	**11.1%**	**1,551**	**5.3%**	**1,626**	**4.8%**
Adult Local Services	939	1,052	12.0%	1,176	11.8%	1,240	5.4%	1,303	5.1%
Children Local Services	242	274	13.2%	297	8.4%	311	4.7%	323	3.9%
Alcohol and Substance Abuse	**322**	**356**	**10.6%**	**381**	**7.0%**	**396**	**3.9%**	**409**	**3.3%**
Outpatient/Methadone	117	129	10.3%	138	7.0%	143	3.6%	148	3.5%
Residential	128	144	12.5%	155	7.6%	162	4.5%	169	4.3%
Prevention and Program Support	68	75	10.3%	80	6.7%	84	5.0%	86	2.4%
Crisis	9	8	-11.1%	8	0.0%	7	-12.5%	6	-14.3%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,619**	**3,955**	**9.3%**	**4,293**	**8.5%**	**4,630**	**7.8%**	**4,912**	**6.1%**
Global Cap Adjustment	**(1,269)**	**(1,698)**	**-33.8%**	**(1,701)**	**-0.2%**	**(1,702)**	**-0.1%**	**(1,704)**	**-0.1%**

Local assistance spending accounts for approximately 45 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8.1 percent annually. The main factors driving this level of growth are: enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The Enacted Budget Financial Plan includes approximately $336 million or 9.3 percent increase in local assistance funding for the mental hygiene agencies. This increase is largely related to $132 million used in support of a 6.5 percent increase for direct care professionals and a 3.25 percent increase for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS, as well as $44 million to support the minimum wage and related fringe benefit increases associated with the movement to a $15 an hour living wage. Other increases include community investments, new service investments in the OPWDD system, and funding in OASAS to address the heroin and opioid crisis.

In addition to investments in salaries for the not-for-profit workforce, there is a $60 million annualized State-share investment in new OPWDD program services. Partly offsetting the cost of these investments are savings associated with ongoing service delivery transformation and efforts to ensure the efficient use of State resources.

The Enacted Budget Financial Plan reflects the continued expansion of community-based services and provides $10 million in enhanced support for existing OMH housing programs. The Enacted Budget Financial Plan also reflects continued support for OASAS program expansion begun in FY 2018 to address the opioid crisis. These include increased Residential Treatment capacity, expansion of outpatient Opioid Treatment Programs, Family Support Navigators, Certified Peer Recovery Advocates, Jail based substance abuse disorder programs, and other evidence-based programs.

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap, as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,229**	**1,281**	**4.2%**	**1,355**	**5.8%**	**1,358**	**0.2%**	**1,362**	**0.3%**
SSI	649	661	1.8%	663	0.3%	667	0.6%	667	0.0%
Public Assistance Benefits	475	506	6.5%	545	7.7%	541	-0.7%	541	0.0%
Public Assistance Initiatives	13	11	-15.4%	33	200.0%	33	0.0%	33	0.0%
All Other	92	103	12.0%	114	10.7%	117	2.6%	121	3.4%

DOB's caseload models project a total of 543,894 public assistance recipients in FY 2019. Approximately 214,749 families are expected to receive benefits through the Family Assistance program in FY 2019, a decrease of 1.4 percent from FY 2018. The Safety Net caseload for families is projected at 119,575 in FY 2019, a decrease of 1.1 percent from FY 2018. The caseload for single adults/childless couples supported through the Safety Net program is projected at 209,570 in FY 2019, an increase of 1.3 percent from FY 2018.

SSI spending is projected to increase gradually over the course of the multi-year Enacted Budget Financial Plan as caseload is expected to grow. Public assistance benefits will increase in FY 2019 and FY 2020 due to a variety of factors including the expansion of NYC HIV/AIDS Services Administration (HASA) benefits to public assistance recipients living in NYC and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Other spending growth includes increased spending on homeless services and prevention and a new program intended to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island.

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,608**	**1,691**	**5.2%**	**1,692**	**0.1%**	**1,715**	**1.4%**	**1,750**	**2.0%**
Child Welfare Service	509	481	-5.5%	491	2.1%	501	2.0%	501	0.0%
Foster Care Block Grant	384	384	0.0%	393	2.3%	403	2.5%	413	2.5%
Adoption	148	148	0.0%	148	0.0%	149	0.7%	149	0.0%
Child Care	203	289	42.4%	270	-6.6%	271	0.4%	271	0.0%
Youth Programs	105	116	10.5%	124	6.9%	117	-5.6%	117	0.0%
Medicaid	77	85	10.4%	89	4.7%	93	4.5%	97	4.3%
Adult Protective/Domestic Violence	53	45	-15.1%	48	6.7%	51	6.3%	54	5.9%
Committees on Special Education	37	22	-40.5%	24	9.1%	25	4.2%	27	8.0%
All Other	92	121	31.5%	105	-13.2%	105	0.0%	121	15.2%

OCFS State Operating Funds spending is projected to increase from FY 2018 to FY 2019 due to the impact of several factors including increased funding for child care subsidies back to FY 2017 levels, costs associated with the regionally-based, multi-year increase in the statewide minimum wage, and legislative spending additions to fund a range of OCFS programs. These increases are partially offset by savings actions allowing the expiration of provisions authorizing State reimbursement to NYC for Close to Home costs, which provide juvenile justice services to NYC youth adjudicated in the court system as juvenile delinquents, and the planned elimination of the human services COLA in FY 2019.

Increased spending in the outyears is primarily due to implementation of the "Raise the Age" initiative, which will increase the age of criminal responsibility from 16 to 18, and planned increases consistent with anticipated program growth. These increases are partly offset by a reduction in the costs attributable to the Pay for Success program based upon program participation and spending to date.

Transportation

In FY 2019, the State expects to provide almost $5.4 billion in operating aid to mass transit systems, including over $1.4 billion in off-budget aid to the MTA (not included in the table below). This aid is funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the mass transit aid - totaling $4.8 billion in FY 2019.

The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). Through FY 2018, the State collected these taxes and fees on behalf of, and disbursed the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS SUPPORT	**5,025**	**3,961**	**-21.2%**	**3,642**	**-8.1%**	**3,689**	**1.3%**	**3,821**	**3.6%**
Mass Transit Operating Aid:	2,283	2,324	1.8%	2,326	0.1%	2,326	0.0%	2,326	0.0%
Metro Mass Transit Aid	2,152	2,188	1.7%	2,190	0.1%	2,190	0.0%	2,190	0.0%
Public Transit Aid	87	92	5.7%	92	0.0%	92	0.0%	92	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	1,709	402	-76.5%	267	-33.6%	268	0.4%	268	0.0%
MTA Aid Trust	283	292	3.2%	296	1.4%	292	-1.4%	294	0.7%
Dedicated Mass Transit	678	683	0.7%	696	1.9%	746	7.2%	876	17.4%
AMTAP	70	260	271.4%	57	-78.1%	57	0.0%	57	0.0%
All Other	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

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

The Enacted Budget includes legislation directing the Mobility Tax collections to be remitted directly to the MTA. This will eliminate the pass through of this tax and ensure more timely receipt by the MTA, which provides a one-time benefit of $60 million for the MTA. Beginning in FY 2019, the Enacted Budget Financial Plan will no longer include new Mobility Tax receipts or associated local assistance payments. Combining on-budget ($402 million) and off-budget ($1.4 billion) spending, the MTA will receive over $1.8 billion of Mobility Tax resources in FY 2019.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**722**	**724**	**0.3%**	**763**	**5.4%**	**763**	**0.0%**	**763**	**0.0%**
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	7	9	28.6%	48	433.3%	48	0.0%	48	0.0%

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2019 to FY 2020, due to revisions in the timing of spending. Additional increases in the outyears reflect 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 GSCs. PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, Information Technology (IT), and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (e.g., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of DOT and DMV (adjusted for the reclassification discussed above) are included in the Capital Projects Fund and are not reflected in State Operating Funds. The PS estimates reflect current negotiated collective bargaining agreements.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

		Forecast			
	FY 2018 Results[1]	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Negotiated Base Salary Increases[2]					
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	2%	TBD
PEF/GSEU/MC	2%	2%	TBD	TBD	TBD
NYSPBA/NYSPIA[3]	1.5%	TBD	TBD	TBD	TBD
Council 82/UUP/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce[4]	117,397	118,868	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[5]	16.2%	15.7%	15.9%	17.2%	18.6%
After Amortization[6]	20.0%	19.4%	19.6%	20.8%	21.8%
PFRS Contribution Rate					
Before Amortization[5]	25.1%	24.1%	24.0%	25.1%	26.2%
After Amortization[6]	28.1%	26.9%	27.4%	28.4%	29.4%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.9%	6.9%	6.6%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.1%	13.6%	13.8%	14.4%	14.3%

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 Contracts contain "reopener" language which allows these unions to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent applicable to FY 2017 and FY 2018.
4 Reflects workforce that is subject to direct Executive control.
5 Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.
6 After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to increase over the Enacted Budget Financial Plan period, from $18.8 billion in FY 2018 to $20.5 billion in FY 2022. Most Executive agencies are expected to hold spending at FY 2018 levels. In addition to the DOT/DMV operations reclassification discussed previously, increases in the outyears of the Enacted Budget Financial Plan are driven mainly by juvenile justice reform, anticipated labor agreements, growing SUNY operating costs, and an additional administrative payroll in FY 2021 due to the payroll calendar.

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

	FY 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,004**	**10,192**	**10,446**	**10,815**	**10,827**
Mental Hygiene	2,804	2,717	2,772	2,846	2,880
Corrections and Community Supervision	2,628	2,606	2,619	2,624	2,616
State Police	742	730	725	751	765
Information Technology Services[1]	536	545	541	551	558
Medicaid Admin/EP	385	458	456	457	452
Public Health	356	394	392	398	393
Tax and Finance	321	332	331	341	330
Children and Family Services	242	289	375	442	445
Environmental Conservation	213	208	205	217	210
Financial Services	209	209	213	219	213
Parks, Recreation and Historic Preservation	169	173	171	178	173
General Services	144	137	133	132	130
Workers' Compensation Board	141	143	145	151	146
Temporary and Disability Assistance	123	126	132	136	139
Gaming	95	81	81	82	81
Potential and Settled Labor Agreements[2]	495	626	741	856	856
Agency Financial Management Plan	(500)	(500)	(500)	(500)	(500)
All Other	901	918	914	934	940
DOT/DMV Operations Reclassification	**0**	**282**	**332**	**337**	**343**
UNIVERSITY SYSTEMS	**6,183**	**6,303**	**6,337**	**6,639**	**6,665**
State University	6,080	6,227	6,264	6,564	6,591
City University	103	76	73	75	74
INDEPENDENT AGENCIES	**330**	**333**	**323**	**337**	**325**
Law	183	179	176	184	177
Audit & Control (OSC)	147	154	147	153	148
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,517**	**17,110**	**17,438**	**18,128**	**18,160**
Judiciary	2,081	2,119	2,121	2,178	2,121
Legislature	223	230	234	239	244
Statewide Total	**18,821**	**19,459**	**19,793**	**20,545**	**20,525**
Personal Service	13,170	13,542	13,885	14,575	14,476
Non-Personal Service	5,651	5,917	5,908	5,970	6,049

[1] Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.
[2] Includes the estimated potential and settled cost for executive agencies and excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **Mental Hygiene.** As a result of the Mental Hygiene Fund Reclassification, spending will decline due to the elimination of indirect costs previously charged to the Special Revenue Fund. Additional savings are achieved through attrition and other management efficiencies.

- **State Police.** The modest decline in spending reflects the reclassification of certain personal service spending, offset by the full year cost of recruit classes and added resources to combat gang activities.

- **Medicaid Admin/Essential Plan (EP).** Increased spending starting in FY 2019 is mainly attributable to higher costs associated with NYSOH enrollment trends.

- **Public Health.** Higher spending in out years is due to certification and surveillance activities, additional funding to support stem cell research, and higher operational costs for NYSOH.

- **Children and Family Services.** Increases reflect additional funding in OCFS to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019.

- **Gaming.** Decreases reflect a change in the accounting structure related to advertising costs, so that direct payments are made to the vendors from a third party instead of through the Gaming Commission.

- **Potential and Settled Labor Agreements.** Spending reflects negotiated settlement agreements with PEF, which have been extended to unrepresented M/C employees, the five-year settlement with CSEA, DC-37 (Rent Regulation Unit), and parity with remaining unsettled unions assumed to follow the PEF model.

- **Agency Financial Management Plans.** All Executive agencies have been directed to implement cost-control measures on a recurring basis, which started in FY 2018.

- **DOT/DMV Operations Reclassification.** Reflects the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the DHBTF to the General Fund.

Workforce

In FY 2019, $13.5 billion or 13.5 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,500 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,176); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS
FY 2019 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,375**	**94,741**
Mental Hygiene Agencies	2,263	32,334
Corrections and Community Supervision	2,043	27,238
State Police	668	5,666
Information Technology Services	287	3,401
Health	280	3,974
Tax and Finance	264	3,977
Environmental Conservation	170	2,124
Children and Family Services	192	2,406
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	134	1,304
Education	88	1,263
Workers' Compensation Board	85	1,110
Temporary and Disability Assistance	68	1,019
General Services	48	832
All Other	628	6,711
DOT/DMV Operations Reclassification	**167**	**2,712**
University Systems	**3,921**	**46,038**
State University	3,883	45,655
City University[2]	38	383
Independent Agencies	**2,079**	**18,176**
Law	126	1,583
Audit & Control (OSC)	123	1,527
Judiciary	1,654	15,064
Legislature[3]	176	2
Total	**13,542**	**161,667**

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

[2] CUNY employees are funded primarily through an agency trust fund that supports an additional 13,166 FTEs, which are excluded from this table.

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

General State Charges

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

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from agency fringe benefit assessments. Commencing in FY 2019, there are two fund reclassifications that will impact fringe benefit collections from other agencies. These changes have no impact on a State operating funds basis, and are Financial Plan neutral. First, the mental hygiene spending in the Mental Hygiene Program Fund and the Patient Income Fund ($1.4 billion) will be accounted for in the General Fund. Similarly, DOT and DMV spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the DHBTF will be accounted for in the General Fund ($107 million).

GSC spending is projected to increase at an average annual rate of 6.9 percent over the multi-year Enacted Budget Financial Plan period. This growth is primarily attributable to the health insurance and workers' compensation programs, offset by reductions in other fringe benefits and fixed costs and relatively stable spending for pensions and social security.

Growth in the health insurance program of $323 million (8.2 percent) is reflective of medical inflation at current enrollment levels. Workers' compensation costs are increasing by $170 million in FY 2019 due to underlying growth in the average weekly wage used in benefit calculations and medical costs ($65 million / 12.8 percent), as well as a reduction in the use of offsetting reserve funds ($105 million). Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from the Tier 5 and Tier 6 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

GENERAL STATE CHARGES (millions of dollars)	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,853**	**8,542**	**8.8%**	**9,124**	**6.8%**	**9,713**	**6.5%**	**10,249**	**5.5%**
Fringe Benefits	**7,440**	**8,097**	**8.8%**	**8,673**	**7.1%**	**9,256**	**6.7%**	**9,785**	**5.7%**
Health Insurance	3,963	4,286	8.2%	4,592	7.1%	4,907	6.9%	5,247	6.9%
Pensions	2,442	2,469	1.1%	2,590	4.9%	2,753	6.3%	2,918	6.0%
Social Security	1,014	1,030	1.6%	1,040	1.0%	1,050	1.0%	1,050	0.0%
Workers' Compensation	306	476	55.6%	591	24.2%	681	15.2%	752	10.4%
Employee Benefits	92	98	6.5%	103	5.1%	108	4.9%	101	-6.5%
Dental Insurance	64	61	-4.7%	64	4.9%	65	1.6%	66	1.5%
Unemployment Insurance	13	12	-7.7%	12	0.0%	12	0.0%	12	0.0%
All Other	2,359	1,056	-55.2%	1,096	3.8%	1,166	6.4%	1,178	1.0%
Non-State Escrow	(2,813)	(1,391)	50.6%	(1,415)	-1.7%	(1,486)	-5.0%	(1,539)	-3.6%
Fixed Costs	**413**	**445**	**7.7%**	**451**	**1.3%**	**457**	**1.3%**	**464**	**1.5%**
Public Land Taxes/PILOTS	254	263	3.5%	269	2.3%	275	2.2%	282	2.5%
Litigation	159	182	14.5%	182	0.0%	182	0.0%	182	0.0%

Growth in GSC spending in FY 2019 has been partly offset by gap-closing savings of approximately $62 million in pension interest savings achieved by paying most of the State pension bill in April 2018, rather than monthly as previously assumed. Over the multi-year Enacted Budget Financial Plan period, outyear pension costs reflect expected investment performance, projected growth in salary base, and assumptions about future normal and administrative costs. Pension costs also reflect repayment of prior-year amortization, costs for Chapter 41 of 2016 (veteran's pension credit legislation), and other adjustments. Similarly, reimbursements collected from agency fringe benefit assessments have been revised based on projected personal service spending and reimbursement rates.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities (FY 2018 only), 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 2018 Results	FY 2019 Enacted	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**9,852**	**6,240**	**6,643**	**6,512**	**6,117**
State Share of Mental Hygiene Medicaid[1]	**1,333**	**0**	**0**	**0**	**0**
Debt Service	**1,047**	**827**	**948**	**1,017**	**876**
SUNY University Operations	**1,015**	**1,034**	**1,025**	**1,021**	**1,021**
Capital Projects	**2,191**	**3,257**	**3,567**	**3,292**	**2,897**
Dedicated Highway and Bridge Trust Fund	771	173	479	530	369
Dedicated Infrastructure Investment Fund	941	1,608	1,250	1,109	542
FY 2017 Temporary Loan to Capital Projects Fund[2]	(1,300)	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund[2]	500	(500)	0	0	0
Transfer to DIIF for Javits Expansion	164	350	320	166	0
Bond Proceeds Receipts for Javits Expansion	0	0	(500)	(500)	0
Mass Transit Capital from Settlements	67	10	8	0	0
Statewide Health Care Capital from Settlements	19	70	70	80	63
Environmental Protection Fund	28	28	28	28	28
All Other Capital	1,001	1,518	1,912	1,879	1,895
ALL OTHER TRANSFERS	**4,266**	**1,122**	**1,103**	**1,182**	**1,323**
Mental Hygiene[1]	3,127	0	0	0	0
Department of Transportation (MTA Payroll Tax)	268	269	269	270	270
SUNY - Medicaid Reimbursement	405	243	243	243	243
Judiciary Funds	109	110	109	110	110
Dedicated Mass Transportation Trust Fund	63	65	65	116	256
Banking Services	41	60	53	53	53
Indigent Legal Services	25	35	58	82	82
General Service Executive Direction	22	22	22	22	22
Mass Transportation Operating Assistance	21	21	21	21	21
Correctional Industries	12	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Health Income Fund	15	16	16	16	16
Centralized Technology Services	9	14	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	5	7	5	7	7
All Other	120	214	185	185	186

[1] The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.

[2] Represents the temporary use of Extraordinary Monetary Settlement fund balances to pay for capital projects in the first instance. These advances will be repaid in the following year when the State reimburses the capital spending from bond proceeds.

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and Highway Use Tax (HUT). The Enacted Budget Financial Plan includes transfers from the General Fund that effectively subsidize DHBTF expenses, as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds. This transfer is reduced in FY 2019 and in the ensuing years of the Enacted Budget Financial Plan as certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities have been reclassified from the DHBTF to the General Fund.

General Fund transfers to other funds are expected to total $6.2 billion in FY 2019, a $3.6 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, which eliminate the General Fund transfers for mental hygiene activity, offset by an increase in transfers appropriated from DIIF and the Capital Projects Fund in FY 2019, including temporary loans and planned repayment of funds related to debt management actions.

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2018 Results	FY 2019 Enacted	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
General Fund	1,047	827	-21.0%	948	14.6%	1,017	7.3%	876	-13.9%
Other State Support	4,826	4,555	-5.6%	6,018	32.1%	6,169	2.5%	6,214	0.7%
State Operating/All Funds Total	**5,873**	**5,382**	**-8.4%**	**6,966**	**29.4%**	**7,186**	**3.2%**	**7,090**	**-1.3%**

Total State Operating/All Funds debt service is projected at $5.4 billion in FY 2019, of which $827 million is paid from the General Fund via transfers, and $4.6 billion is from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

The Enacted Budget Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including 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 the prepayment in FY 2018 of $594 million in debt service costs due in FY 2019.

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.[25] The Enacted Budget Financial Plan projections for FY 2020 and thereafter, set forth in this AIS, reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in this AIS, to no greater than 2 percent. Total disbursements in the Financial Plan tables and narrative contained in this AIS do not reflect these assumed savings, which are reflected instead on a distinct line and labeled "Adherence to 2% Spending Benchmark." The Enacted Budget Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors that are currently unknown. If the 2 percent annual State Operating Funds spending growth benchmark is not adhered to, projected budget gaps would be higher (or projected surpluses would be lower).

[25] 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 Enacted Budget 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).

State Financial Plan Projections Fiscal Years 2018 Through 2022

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2019 THROUGH FY 2022
(millions of dollars)

	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Enacted	FY 2022 Enacted
Taxes:				
Withholdings	41,782	43,033	44,024	46,144
Estimated Payments	16,221	18,157	17,802	18,960
Final Payments	2,599	2,748	2,908	3,032
Other Payments	1,500	1,564	1,601	1,671
Gross Collections	**62,102**	**65,502**	**66,335**	**69,807**
State/City Offset	(973)	(799)	(824)	(849)
Refunds	(10,719)	(10,751)	(10,501)	(11,502)
Reported Tax Collections	**50,410**	**53,952**	**55,010**	**57,456**
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	**50,410**	**53,952**	**55,010**	**57,456**
Sales and Use Tax	15,086	15,670	16,263	16,871
Cigarette and Tobacco Taxes	1,119	1,068	1,020	977
Motor Fuel Tax	512	507	504	501
Alcoholic Beverage Taxes	262	265	269	272
Opioid Epidemic Surcharge	0	0	0	0
Medical Marihuana Excise Tax	2	2	2	2
Highway Use Tax	142	142	143	145
Auto Rental Tax	130	135	139	144
Taxicab Surcharge	50	50	50	50
Gross Consumption/Use Taxes	**17,303**	**17,839**	**18,390**	**18,962**
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	**17,303**	**17,839**	**18,390**	**18,962**
Corporation Franchise Tax	4,027	4,482	4,736	4,780
Corporation and Utilities Tax	700	710	718	727
Insurance Taxes	1,975	2,201	2,354	2,467
Bank Tax	143	71	0	0
Petroleum Business Tax	1,136	1,166	1,158	1,149
Business Taxes	**7,981**	**8,630**	**8,966**	**9,123**
Estate Tax	1,033	1,092	1,155	1,220
Real Estate Transfer Tax	1,178	1,231	1,267	1,305
Employer Compensation Expense Program	TBD	TBD	TBD	TBD
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	3	3	3	3
Gross Other Taxes	**2,229**	**2,341**	**2,440**	**2,543**
Real Estate Transfer Tax (Dedicated)	0	0	0	0
RBTF (Dedicated Transfers)	TBD	TBD	TBD	TBD
Other Taxes	**2,229**	**2,341**	**2,440**	**2,543**
Payroll Tax	**0**	**0**	**0**	**0**
Total Taxes	**77,923**	**82,762**	**84,806**	**88,084**
Licenses, Fees, Etc.	670	692	676	676
Abandoned Property	450	450	450	450
Motor Vehicle Fees	1,499	1,504	1,498	1,423
ABC License Fee	66	66	62	68
Reimbursements	107	109	107	53
Investment Income	40	18	8	8
Extraordinary Settlements	108	0	0	0
Other Transactions	25,065	23,333	22,204	22,310
Miscellaneous Receipts	**28,005**	**26,172**	**25,005**	**24,988**
Federal Receipts	**60,083**	**61,064**	**62,412**	**64,112**
Total	**166,011**	**169,998**	**172,223**	**177,184**

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	**9,445**	**4,009**	**153**	**13,607**
Receipts:				
Taxes	37,070	6,137	33,321	76,528
Miscellaneous Receipts	2,127	17,511	498	20,136
Federal Receipts	0	1	74	75
Total Receipts	**39,197**	**23,649**	**33,893**	**96,739**
Disbursements:				
Local Assistance	51,063	15,689	0	66,752
State Operations:				
Personal Service	8,691	4,851	0	13,542
Non-Personal Service	3,054	2,816	47	5,917
General State Charges	7,553	989	0	8,542
Debt Service	0	0	5,382	5,382
Capital Projects	0	0	0	0
Total Disbursements	**70,361**	**24,345**	**5,429**	**100,135**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,463	2,161	3,607	39,231
Transfers to Other Funds	(6,240)	(1,232)	(32,066)	(39,538)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,223**	**929**	**(28,459)**	**(307)**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,941)	233	5	(3,703)
Closing Fund Balance	**5,504**	**4,242**	**158**	**9,904**

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	39,752	6,178	35,420	81,350
Miscellaneous Receipts	2,028	16,956	469	19,453
Federal Receipts	0	1	73	74
Total Receipts	**41,780**	**23,135**	**35,962**	**100,877**
Disbursements:				
Local Assistance	53,918	15,584	0	69,502
State Operations:				
Personal Service	8,936	4,949	0	13,885
Non-Personal Service	3,129	2,732	47	5,908
General State Charges	8,098	1,026	0	9,124
Debt Service	0	0	6,966	6,966
Capital Projects	0	0	0	0
Total Disbursements	**74,081**	**24,291**	**7,013**	**105,385**
Other Financing Sources (Uses):				
Transfers from Other Funds	33,760	2,142	3,716	39,618
Transfers to Other Funds	(6,643)	(922)	(32,659)	(40,224)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,117**	**1,220**	**(28,943)**	**(606)**
Use (Reservation) of Fund Balance:				
Community Projects	9	0	0	9
Extraordinary Monetary Settlements	1,148	0	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**64**	**6**	**(3,957)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**0**	**3,247**
Net Surplus (Deficit)	**(780)**	**64**	**6**	**(710)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

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
Receipts:				
Taxes	40,931	6,201	36,265	83,397
Miscellaneous Receipts	2,001	16,213	469	18,683
Federal Receipts	0	1	73	74
Total Receipts	**42,932**	**22,415**	**36,807**	**102,154**
Disbursements:				
Local Assistance	57,009	15,276	0	72,285
State Operations:				
Personal Service	9,441	5,134	0	14,575
Non-Personal Service	3,173	2,750	47	5,970
General State Charges	8,618	1,095	0	9,713
Debt Service	0	0	7,186	7,186
Capital Projects	0	0	0	0
Total Disbursements	**78,241**	**24,255**	**7,233**	**109,729**
Other Financing Sources (Uses):				
Transfers from Other Funds	34,012	2,218	3,680	39,910
Transfers to Other Funds	(6,512)	(487)	(33,245)	(40,244)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**27,500**	**1,731**	**(29,565)**	**(334)**
Use (Reservation) of Fund Balance:				
Community Projects	8	0	0	8
Extraordinary Monetary Settlements	855	0	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**(109)**	**9**	**(7,046)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**0**	**5,548**
Net Surplus (Deficit)	**(1,398)**	**(109)**	**9**	**(1,498)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

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	42,605	6,262	37,812	86,679
Miscellaneous Receipts	1,883	16,331	468	18,682
Federal Receipts	0	1	72	73
Total Receipts	**44,488**	**22,594**	**38,352**	**105,434**
Disbursements:				
Local Assistance	59,472	15,399	0	74,871
State Operations:				
Personal Service	9,374	5,102	0	14,476
Non-Personal Service	3,205	2,797	47	6,049
General State Charges	9,140	1,109	0	10,249
Debt Service	0	0	7,090	7,090
Capital Projects	0	0	0	0
Total Disbursements	**81,191**	**24,407**	**7,137**	**112,735**
Other Financing Sources (Uses):				
Transfers from Other Funds	35,258	2,348	3,361	40,967
Transfers to Other Funds	(6,117)	(445)	(34,506)	(41,068)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	**29,141**	**1,903**	**(31,145)**	**(101)**
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	605	0	0	605
Total Use (Reservation) of Fund Balance	**605**	**0**	**0**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**90**	**70**	**(6,797)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**0**	**6,470**
Net Surplus (Deficit)	**(487)**	**90**	**70**	**(327)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	**9,445**	**4,302**	**(1,151)**	**153**	**12,749**
Receipts:					
Taxes	37,070	6,137	1,395	33,321	77,923
Miscellaneous Receipts	2,127	17,713	7,667	498	28,005
Federal Receipts	0	57,576	2,433	74	60,083
Total Receipts	**39,197**	**81,426**	**11,495**	**33,893**	**166,011**
Disbursements:					
Local Assistance	51,063	68,951	5,613	0	125,627
State Operations:					
Personal Service	8,691	5,500	0	0	14,191
Non-Personal Service	3,054	4,255	0	47	7,356
General State Charges	7,553	1,312	0	0	8,865
Debt Service	0	0	0	5,382	5,382
Capital Projects	0	0	8,861	0	8,861
Total Disbursements	**70,361**	**80,018**	**14,474**	**5,429**	**170,282**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,463	2,173	3,623	3,607	42,866
Transfers to Other Funds	(6,240)	(3,356)	(1,366)	(32,066)	(43,028)
Bond and Note Proceeds	0	0	711	0	711
Net Other Financing Sources (Uses)	**27,223**	**(1,183)**	**2,968**	**(28,459)**	**549**
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	**(3,941)**	**225**	**(11)**	**5**	**(3,722)**
Closing Fund Balance	**5,504**	**4,527**	**(1,162)**	**158**	**9,027**

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	39,752	6,178	1,412	35,420	82,762
Miscellaneous Receipts	2,028	17,115	6,560	469	26,172
Federal Receipts	0	58,762	2,229	73	61,064
Total Receipts	**41,780**	**82,055**	**10,201**	**35,962**	**169,998**
Disbursements:					
Local Assistance	53,918	69,609	5,084	0	128,611
State Operations:					
Personal Service	8,936	5,602	0	0	14,538
Non-Personal Service	3,129	4,213	0	47	7,389
General State Charges	8,098	1,354	0	0	9,452
Debt Service	0	0	0	6,966	6,966
Capital Projects	0	0	8,096	0	8,096
Total Disbursements	**74,081**	**80,778**	**13,180**	**7,013**	**175,052**
Other Financing Sources (Uses):					
Transfers from Other Funds	33,760	2,154	3,874	3,716	43,504
Transfers to Other Funds	(6,643)	(2,698)	(1,636)	(32,659)	(43,636)
Bond and Note Proceeds	0	0	706	0	706
Net Other Financing Sources (Uses)	**27,117**	**(544)**	**2,944**	**(28,943)**	**574**
Use (Reservation) of Fund Balance:					
Community Projects	9	0	0	0	9
Extraordinary Monetary Settlements	1,148	0	0	0	1,148
Total Use (Reservation) of Fund Balance	**1,157**	**0**	**0**	**0**	**1,157**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(4,027)**	**733**	**(35)**	**6**	**(3,323)**
Adherence to 2% Spending Benchmark*	**3,247**	**0**	**0**	**0**	**3,247**
Net Surplus (Deficit)	**(780)**	**733**	**(35)**	**6**	**(76)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

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
Receipts:					
Taxes	40,931	6,201	1,409	36,265	84,806
Miscellaneous Receipts	2,001	16,374	6,161	469	25,005
Federal Receipts	0	60,152	2,187	73	62,412
Total Receipts	**42,932**	**82,727**	**9,757**	**36,807**	**172,223**
Disbursements:					
Local Assistance	57,009	70,195	4,343	0	131,547
State Operations:					
Personal Service	9,441	5,813	0	0	15,254
Non-Personal Service	3,173	4,198	0	47	7,418
General State Charges	8,618	1,434	0	0	10,052
Debt Service	0	0	0	7,186	7,186
Capital Projects	0	0	7,628	0	7,628
Total Disbursements	**78,241**	**81,640**	**11,971**	**7,233**	**179,085**
Other Financing Sources (Uses):					
Transfers from Other Funds	34,012	2,230	3,533	3,680	43,455
Transfers to Other Funds	(6,512)	(2,233)	(1,606)	(33,245)	(43,596)
Bond and Note Proceeds	0	0	264	0	264
Net Other Financing Sources (Uses)	**27,500**	**(3)**	**2,191**	**(29,565)**	**123**
Use (Reservation) of Fund Balance:					
Community Projects	8	0	0	0	8
Extraordinary Monetary Settlements	855	0	0	0	855
Total Use (Reservation) of Fund Balance	**863**	**0**	**0**	**0**	**863**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,946)**	**1,084**	**(23)**	**9**	**(5,876)**
Adherence to 2% Spending Benchmark*	**5,548**	**0**	**0**	**0**	**5,548**
Net Surplus (Deficit)	**(1,398)**	**1,084**	**(23)**	**9**	**(328)**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2022

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	42,605	6,262	1,405	37,812	88,084
Miscellaneous Receipts	1,883	16,492	6,145	468	24,988
Federal Receipts	0	61,853	2,187	72	64,112
Total Receipts	**44,488**	**84,607**	**9,737**	**38,352**	**177,184**
Disbursements:					
Local Assistance	59,472	71,512	4,186	0	135,170
State Operations:					
Personal Service	9,374	5,783	0	0	15,157
Non-Personal Service	3,205	4,228	0	47	7,480
General State Charges	9,140	1,480	0	0	10,620
Debt Service	0	0	0	7,090	7,090
Capital Projects	0	0	7,447	0	7,447
Total Disbursements	**81,191**	**83,003**	**11,633**	**7,137**	**182,964**
Other Financing Sources (Uses):					
Transfers from Other Funds	35,258	2,360	3,137	3,361	44,116
Transfers to Other Funds	(6,117)	(2,158)	(1,482)	(34,506)	(44,263)
Bond and Note Proceeds	0	0	238	0	238
Net Other Financing Sources (Uses)	**29,141**	**202**	**1,893**	**(31,145)**	**91**
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	605	0	0	0	605
Total Use (Reservation) of Fund Balance	**605**	**0**	**0**	**0**	**605**
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	**(6,957)**	**1,806**	**(3)**	**70**	**(5,084)**
Adherence to 2% Spending Benchmark*	**6,470**	**0**	**0**	**0**	**6,470**
Net Surplus (Deficit)	**(487)**	**1,806**	**(3)**	**70**	**1,386**

* Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2018 unaudited results), assuming that the Governor continues to propose, and the Legislature continues to enact, budgets in each fiscal year that restrict State Operating Funds spending growth to 2 percent. The "Adherence to 2% Spending Benchmark" calculation assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gap would be higher (or the projected surplus lower).

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2019
(dollars in millions)

	2018 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2019 January Projected	February Projected	March Projected	Total
OPENING BALANCE	9,445	9,946	5,130	4,502	4,607	4,201	5,918	6,077	4,084	6,066	11,780	11,282	9,445
RECEIPTS:													
Personal Income Tax	2,948	1,208	2,369	1,424	1,523	2,402	1,409	971	2,161	3,423	1,496	1,412	22,746
Consumption/Use Taxes	541	571	763	611	581	781	587	589	772	631	525	695	7,647
Business Taxes	378	(52)	925	66	64	1,133	96	46	1,326	(135)	76	1,703	5,626
Other Taxes	63	90	90	90	91	91	90	90	89	89	89	89	1,051
Total Taxes	3,930	1,817	4,147	2,191	2,259	4,407	2,182	1,696	4,348	4,008	2,186	3,899	37,070
Abandoned Property	1	0	0	0	0	40	5	150	50	0	0	204	450
ABC License Fee	5	6	6	6	6	6	6	5	5	6	6	3	66
Investment Income	17	1	1	5	1	1	5	1	1	5	1	1	40
Licenses, Fees, etc.	51	30	38	70	35	50	70	55	68	70	50	83	670
Motor Vehicle Fees	30	18	20	28	21	24	23	20	21	22	22	20	269
Reimbursements	(1)	(14)	35	(35)	25	25	(35)	20	40	10	20	17	107
Extraordinary Settlements	108	0	0	0	0	0	0	0	0	0	0	0	108
Other Transactions	(4)	30	63	31	29	110	56	32	77	31	22	(60)	417
Total Miscellaneous Receipts	207	71	163	105	117	256	130	283	262	144	121	268	2,127
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	2,948	1,207	2,357	1,424	1,616	2,097	1,410	982	2,082	5,772	1,210	609	23,714
ECET in Excess of Revenue Bond Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax in Excess of LGAC	253	254	356	277	265	336	268	271	361	287	246	(18)	3,156
Sales Tax Bond Fund	183	184	285	207	195	328	192	194	284	210	169	326	2,757
Real Estate Taxes in Excess of CW/CA Debt Service	74	93	91	95	94	96	85	87	76	90	63	54	998
All Other	94	106	122	106	106	195	195	119	107	145	197	1,346	2,838
Total Transfers from Other Funds	3,552	1,844	3,211	2,109	2,276	3,052	2,150	1,653	2,910	6,504	1,885	2,317	33,463
TOTAL RECEIPTS	7,689	3,732	7,521	4,405	4,652	7,715	4,462	3,632	7,520	10,656	4,192	6,484	72,660
DISBURSEMENTS:													
School Aid	1,113	3,489	1,952	82	600	1,674	901	1,562	2,096	579	758	8,355	23,161
Higher Education	24	32	1,123	232	85	178	95	35	203	59	341	658	3,065
All Other Education	42	497	157	109	257	97	45	187	178	38	255	480	2,342
Medicaid - DOH	1,525	1,724	1,374	1,263	1,417	1,095	1,079	1,324	1,020	1,325	693	492	14,331
Public Health	39	213	52	33	64	41	33	43	44	32	46	30	670
Mental Hygiene	150	67	316	107	121	338	100	112	308	155	203	275	2,252
Children and Families	12	76	240	99	99	240	99	99	240	99	144	240	1,687
Temporary & Disability Assistance	65	103	165	104	103	107	103	104	106	103	103	115	1,281
Transportation	46	70	60	46	32	0	0	24	11	0	12	3	304
Unrestricted Aid	0	12	388	0	0	106	7	0	187	0	0	65	765
All Other	21	64	(22)	16	73	123	101	65	122	81	86	475	1,205
Total Local Assistance	3,037	6,347	5,805	2,091	2,851	3,999	2,563	3,555	4,515	2,471	2,641	11,188	51,063
Personal Service	663	878	692	702	863	631	804	629	644	815	675	695	8,691
Non-Personal Service	159	241	261	200	271	281	250	273	262	266	266	324	3,054
Total State Operations	822	1,119	953	902	1,134	912	1,054	902	906	1,081	941	1,019	11,745
General State Charges	2,705	340	427	423	342	511	616	278	470	501	475	465	7,553
Debt Service	253	0	0	128	(3)	(42)	236	0	(2)	333	(25)	(51)	827
Capital Projects	58	475	600	521	667	585	(230)	605	(445)	521	605	(705)	3,257
State Share Medicaid	0	0	0	0	0	0	0	0	0	0	0	0	0
SUNY Operations	218	218	224	182	0	0	0	182	10	0	0	0	1,034
Other Purposes	95	49	140	53	67	33	64	103	84	35	53	346	1,122
Total Transfers to Other Funds	624	742	964	884	731	576	70	890	(353)	889	633	(410)	6,240
TOTAL DISBURSEMENTS	7,188	8,548	8,149	4,300	5,058	5,998	4,303	5,625	5,538	4,942	4,690	12,262	76,601
Excess/(Deficiency) of Receipts over Disbursements	501	(4,816)	(628)	105	(406)	1,717	159	(1,993)	1,982	5,714	(498)	(5,778)	(3,941)
CLOSING BALANCE	9,946	5,130	4,502	4,607	4,201	5,918	6,077	4,084	6,066	11,780	11,282	5,504	5,504

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 NEW YORK STATE URBAN DEVELOPMENT CORPORATION 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 New York State Urban Development Corporation 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 Resolution may be obtained upon request from Empire State Development.

Definitions

Acts means the Issuer Act and the Enabling Act.

Administrative Fund means the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer means (i) in the case of the Issuer, the President, any Senior Vice President, any Vice President, the Treasurer, the Secretary, the Chief Financial Officer, the Controller, any Assistant Treasurer or Assistant Secretary, 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 means the Fund designated as the Bond Proceeds Fund established in the Resolution.

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

Debt Service Fund means the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement means the State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement dated as of December 1, 2009 between the Issuer and the State, acting through the Director of the Budget.

Issuer means the New York State Urban Development Corporation d/b/a Empire State Development, the corporate governmental agency created by the Issuer Act, and its successors and permitted assigns.

Issuer Act means the New York State Urban Development Corporation Act (being Chapter 174 of the Laws of the State, 1968, as amended, and constituting Subchapter I, Chapter 24 of Title 16 of McKinney's Unconsolidated Laws, Section 6251 et seq., as amended) as existing from time to time, together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund means the Fund designated as the Rebate Fund established in the Resolution.

Resolution means the New York State Urban Development Corporation 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 means the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund means the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

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

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Acts.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds 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 "New York State Urban Development Corporation 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 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 provisions of 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 Empire State Development.

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 the 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 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 means 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 means 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 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 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 means notes issued pursuant to the 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.

Calculated Debt Service means 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 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 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 means 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 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, 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) 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 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 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 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.

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 Parity Reimbursement Obligations.

Debt Service for any period means, 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 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 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 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.

Enabling Act means 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 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 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 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.

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; (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 means 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 means 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 means 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,

(1) 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 means 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 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 to the Resolution, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified in the Resolution as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; provided, however, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and provided that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** means 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 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.

Pledged Property means 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 means 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 means bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Resolution to finance Costs of a Project.

Project means 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 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 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 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 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 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 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 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 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 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.

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 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 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 means 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 means 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 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 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 Resolution.

Valuation Date means (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 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 Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

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) 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 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 (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

(a) 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:

(1) 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.

(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 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.

(b) 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.

(c) 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.

(d) 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.

(e) 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.

(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 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.

(g) 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 paragraph. 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 Obligation, 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)

Establishment of Funds

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

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 either of paragraphs (a) or (b) below. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of paragraphs (a) and (b) below.)

(a) Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the 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

(a), (f) and (g) under "Events of Default" below, 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 paragraph (a) (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as provided in this paragraph (a)).

(b) Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided 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 paragraph (b) (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in this paragraph (b) provided). 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 paragraph (b), 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 in this paragraph (b) provided for 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 provided) 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 provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by this section to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

(Section A-612)

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default", as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; provided, however, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Resolution. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Resolution shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of this section.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the

transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to this section shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; provided, however, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its

property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; provided such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligations as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligations may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

1. To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

2. To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

3. To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

4. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

5. To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

6. To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

7. To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

8. To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

9. To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

10. To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

11. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

12. To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Resolution as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

13. To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

14. Notwithstanding the 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 Resolution and such other provisions of the Resolution solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

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 provisions of 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 provisions of 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 described under "Adoption and Filing," "Supplemental Resolutions Effective Upon Adoption" and "Supplemental Resolutions Effective with Consent of Trustee" above may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions, respectively. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely

upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions 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 Standard Resolution Provisions.

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 provisions of 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 provided). 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 this 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 (a) under "Events of Default" above, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 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:

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.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes of the Resolution such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; provided, however, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) Business Days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in

connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

APPENDIX C

FORM OF FINANCING AGREEMENT

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APPENDIX C

FORM OF FINANCING AGREEMENT

STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE) FINANCING AGREEMENT (the "Financing Agreement") dated as of December 1, 2009, by and between the New York State Urban Development Corporation, 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 New York State Urban Development Corporation Act, being Chapter 174 of the Laws of 1968, 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 November 16, 2009 (including Annex A thereto, as amended and supplemented), 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 statutory audit powers granted the State, 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 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 New York State Urban Development Corporation 633 Third Avenue New York, New York 10017

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.

Approval as to form:
Attorney General

By: _____
Date: _____

State of New York

_____
for the Director of the Budget

Approved:

By: _____
for the State Comptroller
Date: _____

New York State Urban Development Corporation

_____
Chief Financial and Administrative Officer

APPENDIX D

EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS
MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

"*Annual Information*" shall mean the information specified in Section 3.

"*Authorizing Document*" shall mean the applicable Authorized Issuer's State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"*Authorized Issuer*" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"*Bonds*" shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA*" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"*Enabling Act*" shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

"*GAAP*" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"*GAAS*" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"*Holder*" or "*Bondholder*" shall mean a registered owner of any Bond or Bonds.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Rule 15c2-12*" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"*State*" shall mean the State of New York, acting by and through the Director or the Comptroller.

"*Trustee*" shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

"*Underwriters*" shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120

days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 570I-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an "obligated person", obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND"* which shall include information relating to the following:

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities"*, including, more specifically, information consisting of:

(1) *for prior fiscal years*, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in

accordance with GAAP for at least the two most recent fiscal years for which that information is then- currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities,* information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and

audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved

by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

SECTION 12. Effective Date.

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: _____
Name: Portia Lee
Title: Managing Director

NEW YORK STATE THRUWAY AUTHORITY

By: _____
Name: Michael R. Fleischer
Title: Executive Director

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

By: _____
Name: James T. Gebhardt
Title: Chief Financial Officer

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development Corporation

By: _____
Name:
Title:

NEW YORK STATE HOUSING FINANCE AGENCY

By: _____
Name:
Title:

THE STATE OF NEW YORK
Obligated Person

By Thomas P. DiNapoli, Comptroller

By: Mark C. Poloncarz
Name: Mark C. Poloncarz
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: Ronald L. Greenberg
Name: Ronald L. Greenberg
Title: First Deputy Director

TRUSTEES:

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Environmental Facilities Corporation Bondholders

By: _____
Authorized Signatory

DEUTSCHE BANK TRUST COMPANY AMERICAS
as Trustee for the benefit of New York State Housing Finance Agency Bondholders

By: _____ By: _____
Authorized Signatory Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Thruway Authority Bondholders

By: _____
Authorized Signatory

THE BANK OF NEW YORK MELLON
as Trustee for the benefit of New York State Urban Development Corporation Bondholders

By: _____
Authorized Signatory

U.S. BANK NATIONAL ASSOCIATION
as Trustee for the benefit of certain Dormitory Authority of the State of New York Bondholders

By: _____
Authorized Signatory

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APPENDIX E

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

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APPENDIX E

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2019A Bonds and Series 2019B Bonds,
Nixon Peabody LLP, Co-Bond Counsel to the Corporation,
proposes to render its approving opinion in substantially the following form:

[Date of Closing]

New York State Urban Development
Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

Re: New York State Urban Development Corporation
State Personal Income Tax Revenue Bonds (General Purpose)
Series 2019A and Series 2019B (Federally Taxable)

Ladies and Gentlemen:

We, as Co-Bond Counsel to the New York State Urban Development Corporation (the "Corporation"), a corporate governmental agency of the State of New York (the "State") constituting a political subdivision and public benefit corporation created by the New York State Urban Development Corporation Act, being Chapter 174 of the Laws of New York of 1968, as amended (the "UDC Act"), have examined a record of proceedings relating to the issuance by the Corporation of $741,460,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A (the "Series 2019A Bonds") and $802,355,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019B (Federally Taxable) (the "Series 2019B Bonds" and collectively with the Series 2019A Bonds, the "Series 2019 Bonds").

The Series 2019 Bonds are authorized to be issued pursuant to the UDC Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act"), various statutes, as amended and supplemented, relating to projects financed by the Series 2019 Bonds (collectively, the "Project Acts") and Section 51 of the Public Authorities Law, including related appropriations acts, and pursuant and subject to the provisions, terms and conditions of a resolution of the Corporation adopted on November 16, 2009, entitled "State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution", as supplemented and amended (the "General Resolution"), as further supplemented by a resolution adopted on December 20, 2018, entitled "Series 2019A State Personal Income Tax Revenue Bonds (General Purpose) and Series 2019B State Personal Income Tax Revenue Bonds (Federally Taxable) (General Purpose) Supplemental Resolution" (the "Supplemental Resolution"), and a resolution adopted on December 20, 2018, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A and Series 2019B (Federally Taxable)" (the "Bond Financing Committee Resolution"; and collectively with the General Resolution and the Supplemental Resolution, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Resolutions.

The Corporation has heretofore issued Bonds and has reserved the right hereafter to issue additional Bonds pursuant to the General Resolution, in addition to the Series 2019 Bonds, upon the terms and conditions

and for the purposes set forth in the General Resolution. Under and subject to the terms of the General Resolution, the Series 2019 Bonds, when issued, and all Bonds heretofore and hereafter issued under the General Resolution, shall be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the "Revenue Bond Tax Fund"), subject to annual appropriation by the State Legislature. However, pursuant to the Enabling Act, neither the Corporation nor the owners of the Series 2019 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

The Corporation and the State, acting by and through the Director of the Budget, have entered into a Financing Agreement, dated as of December 1, 2009 (the "Financing Agreement"), which provides for the payment, subject to annual appropriation by the State Legislature, of Financing Agreement Payments by the State Comptroller to The Bank of New York Mellon, New York, New York, as trustee (the "Trustee") on behalf of the Corporation in amounts sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2019 Bonds.

The Series 2019 Bonds are issuable in the form of fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds shall be lettered and numbered as provided in the Resolutions.

The Series 2019 Bonds are dated their date of delivery and bear interest payable on March 15 and September 15 in each year until maturity, commencing September 15, 2019. The Series 2019 Bonds will mature on the dates and in the principal amounts, will bear interest at the respective rates per annum, and will be subject to redemption prior to maturity, all as set forth in the Resolutions.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2019A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2019A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2019A Bonds. In rendering the opinions set forth in paragraph 6 herein, Nixon Peabody LLP has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, and certain departments, agencies and authorities of the State of New York (the "Departments") to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2019A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code.

Based upon and subject to the foregoing, and in reliance thereon, and subject to the limitations set forth below, we are of the opinion that:

1. The Corporation has been duly created and is validly existing as a body corporate and politic constituting a public corporation of the State under the UDC Act and has the right, power and authority under the UDC Act and the Enabling Act to adopt the Resolutions.

2. The Resolutions have been duly and lawfully adopted by the Corporation, are in full force and effect and constitute valid and binding obligations of the Corporation enforceable in accordance with their terms. The Resolutions create the valid pledge of the Pledged Property which they purport to create, to secure the payment of the principal of and interest on the Bonds, including the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to

the Resolutions, except the Administrative Fund and the Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2019 Bonds have been duly and validly authorized and issued by the Corporation in accordance with applicable law, and constitute valid and binding special limited obligations of the Corporation, enforceable in accordance with their terms and the terms of the Resolutions, payable solely from the sources provided therefor in the Resolutions.

4. The Financing Agreement has been duly authorized, executed and delivered by the Corporation and, assuming the due and valid authorization, execution and delivery thereof by the Director of the Budget of the State, constitutes a legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms.

5. Neither the Corporation nor the owners of the Bonds have or will have a pledge of or lien on the Revenue Bond Tax Fund, or of the moneys deposited therein.

6. Under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Corporation and the Departments described above, interest on the Series 2019A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code and is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

7. Interest on the Series 2019B Bonds is not excluded from gross income for federal income tax purposes.

8. Under existing statutes, including the UDC Act, interest on the Series 2019 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions and the Series 2019 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Except as stated in paragraphs 6, 7 and 8 above, we express no opinion as to federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the Series 2019 Bonds. Furthermore, we express no opinion as to any federal, state or local tax consequences with respect to the Series 2019A Bonds, or the interest thereon, if any change occurs or action is taken or omitted under the Resolutions or the Tax Certificate or under any other relevant documents upon the advice or approval of any bond counsel other than Nixon Peabody LLP. In addition, we have not undertaken to determine, or to inform any person, whether any actions taken, or not taken, or events occurring, or not occurring, after the date of issuance of the Series 2019A Bonds may affect the tax status of interest on the Series 2019A Bonds. Further, although interest on the Series 2019A Bonds is not included in gross income for purposes of federal income taxation, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2019A Bond depending upon the tax status of such holder and such holder's other items of income and deduction.

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2019 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Corporation or the State other than the record of proceedings referred to above, and we express no

opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2019 Bonds.

This opinion is rendered solely with regard to the matters expressly opined on above and no other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

We have examined an executed Series 2019A Bond and an executed Series 2019B Bond and, in our opinion, the forms of said Series 2019 Bonds and their execution are regular and proper.

Very truly yours,

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

Upon delivery of the Series 2019A Bonds and Series 2019B Bonds, Pearlman & Miranda LLC, Co-Bond Counsel to the Corporation, proposes to render its approving opinion in substantially the following form:

[Date of Closing]

New York State Urban Development
Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

Re: New York State Urban Development Corporation
State Personal Income Tax Revenue Bonds (General Purpose)
Series 2019A and Series 2019B (Federally Taxable)

Ladies and Gentlemen:

We, as Co-Bond Counsel to the New York State Urban Development Corporation (the "Corporation"), a corporate governmental agency of the State of New York (the "State") constituting a political subdivision and public benefit corporation created by the New York State Urban Development Corporation Act, being Chapter 174 of the Laws of New York of 1968, as amended (the "UDC Act"), have examined a record of proceedings relating to the issuance by the Corporation of $741,460,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A (the "Series 2019A Bonds") and $802,355,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019B (Federally Taxable) (the "Series 2019B Bonds" and collectively with the Series 2019A Bonds, the "Series 2019 Bonds").

The Series 2019 Bonds are authorized to be issued pursuant to the UDC Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act"), various statutes, as amended and supplemented, relating to projects financed by the Series 2019 Bonds (collectively, the "Project Acts") and Section 51 of the Public Authorities Law, including related appropriations acts, and pursuant and subject to the provisions, terms and conditions of a resolution of the Corporation adopted on November 16, 2009, entitled "State Personal Income Tax Revenue Bonds (General Purpose) General Bond Resolution", as supplemented and amended (the "General Resolution"), as further supplemented by a resolution adopted on December 20, 2018, entitled "Series 2019A State Personal Income Tax Revenue Bonds (General Purpose) and Series 2019B State Personal Income Tax Revenue Bonds (Federally Taxable) (General Purpose) Supplemental Resolution" (the "Supplemental Resolution"), and a resolution adopted on December 20, 2018, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A and Series 2019B (Federally Taxable)" (the "Bond Financing Committee Resolution"; and collectively with the General Resolution and the Supplemental Resolution, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Resolutions.

The Corporation has heretofore issued Bonds and has reserved the right hereafter to issue additional Bonds pursuant to the General Resolution, in addition to the Series 2019 Bonds, upon the terms and conditions and for the purposes set forth in the General Resolution. Under and subject to the terms of the General

Resolution, the Series 2019 Bonds, when issued, and all Bonds heretofore and hereafter issued under the General Resolution, shall be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Resolution. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the "Revenue Bond Tax Fund"), subject to annual appropriation by the State Legislature. However, pursuant to the Enabling Act, neither the Corporation nor the owners of the Series 2019 Bonds have or will have a lien on the monies on deposit in the Revenue Bond Tax Fund. In addition, pursuant to the Enabling Act, nothing contained therein shall be deemed to restrict the right of the State of New York to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the New York Tax Law.

The Corporation and the State, acting by and through the Director of the Budget, have entered into a Financing Agreement, dated as of December 1, 2009 (the "Financing Agreement"), which provides for the payment, subject to annual appropriation by the State Legislature, of Financing Agreement Payments by the State Comptroller to The Bank of New York Mellon, New York, New York, as trustee (the "Trustee") on behalf of the Corporation in amounts sufficient to pay the principal of, redemption premium, if any, and interest on the Series 2019 Bonds.

The Series 2019 Bonds are issuable in the form of fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds shall be lettered and numbered as provided in the Resolutions.

The Series 2019 Bonds are dated their date of delivery and bear interest payable on March 15 and September 15 in each year until maturity, commencing September 15, 2019. The Series 2019 Bonds will mature on the dates and in the principal amounts, will bear interest at the respective rates per annum, and will be subject to redemption prior to maturity, all as set forth in the Resolutions.

Based upon and subject to the foregoing, and in reliance thereon, and subject to the limitations set forth below, we are of the opinion that:

1. The Corporation has been duly created and is validly existing as a body corporate and politic constituting a public corporation of the State under the UDC Act and has the right, power and authority under the UDC Act and the Enabling Act to adopt the Resolutions.

2. The Resolutions have been duly and lawfully adopted by the Corporation, are in full force and effect and constitute valid and binding obligations of the Corporation enforceable in accordance with their terms. The Resolutions create the valid pledge of the Pledged Property which they purport to create, to secure the payment of the principal of and interest on the Bonds, including the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Resolutions, except the Administrative Fund and the Rebate Fund, subject to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2019 Bonds have been duly and validly authorized and issued by the Corporation in accordance with applicable law, and constitute valid and binding special limited obligations of the Corporation, enforceable in accordance with their terms and the terms of the Resolutions, payable solely from the sources provided therefor in the Resolutions.

4. The Financing Agreement has been duly authorized, executed and delivered by the Corporation and, assuming the due and valid authorization, execution and delivery thereof by the Director of

the Budget of the State, constitutes a legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms.

5. Neither the Corporation nor the owners of the Bonds have or will have a pledge of or lien on the Revenue Bond Tax Fund, or of the moneys deposited therein.

The opinions contained in paragraphs 2, 3 and 4 above are qualified only to the extent that the enforceability of the Resolutions and the Series 2019 Bonds may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other laws heretofore or hereafter enacted and judicial decisions relating to or affecting the enforcement of creditors' rights or remedies or contractual obligations generally and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

In rendering the foregoing opinions we have made a review of such legal proceedings as we have deemed necessary to approve the legality and validity of the Series 2019 Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the Corporation or the State other than the record of proceedings referred to above, and we express no opinion as to the adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2019 Bonds.

This opinion is rendered solely with regard to the matters expressly opined on above and no other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

We have examined an executed Series 2019A Bond and an executed Series 2019B Bond and, in our opinion, the forms of said Series 2019 Bonds and their execution are regular and proper.

Very truly yours,

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New York State Urban Development Corporation • State Personal Income Tax Revenue Bonds (General Purpose), Series 2019A and Series 2019B (Federally Taxable)

NEW YORK
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OPPORTUNITY.

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