NEW ISSUE — BOOK-ENTRY ONLY

Empire State Development

$1,842,665,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

$807,960,000	**$1,034,705,000**
SERIES 2017A	**SERIES 2017B**
	(Federally Taxable)
Dated: Date of Delivery	**Due: As shown on the inside cover**

The New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2017A (the "Series 2017A Bonds"), and the New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (General Purpose), Series 2017B (Federally Taxable) (the "Series 2017B Bonds"; and, collectively with the Series 2017A Bonds, the "Series 2017 Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as Empire State Development. The Series 2017 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 2017 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State personal income tax receipts imposed by Article 22 of the New York State Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

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 New York State Personal Income Tax.

The Series 2017 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2017 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 2017 Bonds. The Corporation has no taxing power.

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

The Series 2017 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 2017 Bonds, payments of principal or redemption price of and interest on the Series 2017 Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

The Series 2017 Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinions of Hawkins Delafield & Wood LLP and the Law Offices of Joseph C. Reid, P.A., Co-Bond Counsel to the Corporation (collectively, "Co-Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2017A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Co-Bond Counsel also are of the opinion that interest on the Series 2017B Bonds is included in gross income for Federal income tax purposes pursuant to the Code. In addition, Co-Bond Counsel are of the opinion that under existing statutes, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "PART 13 — TAX MATTERS" herein regarding certain other tax considerations.

The Series 2017 Bonds are offered, when, as and if issued and delivered to the Initial Purchasers. The Series 2017 Bonds are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and the Law Offices of Joseph C. Reid, P.A., New York, New York, and to certain other conditions. It is expected that the Series 2017 Bonds will be delivered in definitive form in New York, New York, on or about March 23, 2017.

March 16, 2017

$1,842,665,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

Maturity Schedule

$807,960,000
SERIES 2017A

Due March 15	Amount	Interest Rate	Price or Yield	CUSIP Number†	Due March 15	Amount	Interest Rate	Price or Yield	CUSIP Number†
2019	$ 1,695,000	5.000%	1.130%	6500353X4	2031	$ 36,125,000	5.000%	3.040%*	6500353U0
2020	22,990,000	5.000	1.350	6500353Y2	2032	37,915,000	5.000	3.120*	6500353V8
2021	31,245,000	5.000	1.540	6500353Z9	2033	39,810,000	5.000	3.190*	6500353W6
2022	28,695,000	5.000	1.780	6500354A3	2034	41,810,000	5.000	3.270*	6500354G0
2023	26,040,000	5.000	2.030	6500354B1	2035	43,890,000	5.000	3.320*	6500354H8
2024	47,345,000	5.000	2.250	6500354C9	2036	46,080,000	5.000	3.370*	6500354J4
2025	49,705,000	5.000	2.410	6500354D7	2037	48,400,000	5.000	3.390*	6500354K1
2026	50,135,000	5.000	2.560	6500354E5	2038	26,410,000	5.000	3.400*	6500354L9
2027	63,560,000	5.000	2.700	6500354F2	2039	8,795,000	3.500	98.5	6500354M7
2028	49,900,000	5.000	2.790*	6500353R7	2040	2,960,000	3.625	99.0	6500354N5
2029	45,995,000	5.000	2.870*	6500353S5	2041	3,065,000	3.625	98.5	6500354P0
2030	34,405,000	5.000	2.950*	6500353T3					

$6,470,000 3.750% Term Bond due March 15, 2043 Price 98.000% CUSIP Number† 6500354Q8
$14,520,000 4.000% Term Bond due March 15, 2047 Yield 3.810%* CUSIP Number† 6500354R6

$1,034,705,000
SERIES 2017B (FEDERALLY TAXABLE)

$518,615,000 2.100% Term Bond due March 15, 2022 Price 100% CUSIP Number† 6500354S4

Due March 15	Amount	Interest Rate	Price	CUSIP Number†	Due March 15	Amount	Interest Rate	Price	CUSIP Number†
2023	$112,455,000	2.670%	100%	6500354T2	2026	$103,290,000	3.170%	100%	6500354W5
2024	95,450,000	2.860	100	6500354U9	2027	95,685,000	3.270	100	6500354X3
2025	98,205,000	3.120	100	6500354V7	2028	11,005,000	3.420	100	6500354Y1

† Copyright, American Bankers Association ("ABA"). CUSIP numbers have been assigned by CUSIP Global Services, which is managed on behalf of ABA by Standard & Poor's Capital IQ, a division of McGraw Hill Financial, Inc., and are provided solely for the convenience of the holders of the Series 2017 Bonds. The Corporation is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2017 Bonds or as indicated above. The CUSIP numbers are subject to change after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2017 Bonds.

* Priced at the stated yield to the March 15, 2027 optional redemption date at a redemption price of 100%

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 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, 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 2017 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 CORPORATION'S AND 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 2017 BONDS, NO ACTION HAS BEEN TAKEN BY THE CORPORATION THAT WOULD PERMIT A PUBLIC OFFERING OF THE SERIES 2017 BONDS, OR POSSESSION OR DISTRIBUTION OF ANY INFORMATION RELATING TO THE PRICING OF THE SERIES 2017 BONDS, THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2017 BONDS, IN ANY NON-U.S. JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, THE INITIAL PURCHASER(S) OF THE SERIES 2017 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 2017 BONDS OR POSSESS OR DISTRIBUTE THIS OFFICIAL STATEMENT OR ANY OTHER OFFERING OR PUBLICITY MATERIAL RELATING TO THE SERIES 2017 BONDS AND WILL OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY THEM FOR THE PURCHASE, OFFER OR SALE BY THEM OF SERIES 2017 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.

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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 2017 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.

<table>
<tr><td>State Personal Income Tax Revenue Bond Financing Program</td><td>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.</td></tr>
<tr><td>Purpose of Issue</td><td>The Series 2017 Bonds are being issued for the purpose of financing Authorized Purposes, including financing or reimbursing all or a portion of the costs of certain programs and projects within the State and refunding certain outstanding State Personal Income Tax Revenue Bonds issued by the Corporation and HFA. For a more complete description of the expected application of proceeds of the Series 2017 Bonds, see “PART 6 — THE PROJECTS” and “PART 9 — PLAN OF REFUNDING” herein. See also, “APPENDIX F — REFUNDED BONDS.”</td></tr>
</table>

Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts	The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the "New York State Personal Income Tax Receipts"), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the "STAR Fund"). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund deposits. The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the "Withholding Component") until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts"). New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2014-15 through 2016-17 are as follows:

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Revenue Bond Tax Fund Receipts
	($ in billions)		
2014-15	$43.7	$34.9	$10.9
2015-16	47.1	36.5	11.8
2016-17*	47.3	37.6	11.8

*As estimated in the 30-day amendments to the FY 2018 Executive Budget Financial Plan.

The Series 2017 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 2017 Bonds are issued on a parity with all other Bonds which may be issued under the General Resolution. All State Personal Income Tax Revenue Bonds (of which $31.4 billion were outstanding as of March 1, 2017) are on a parity with each other as to payments from the Revenue Bond Tax Fund subject to annual appropriation by the State.

Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the**

Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts ***(continued)***	**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 to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax. For additional information, see "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND." **The Series 2017 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2017 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 2017 Bonds. The Corporation has no taxing power.** **The Series 2017 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 2017 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 2016-17. 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 receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees, on behalf of each Authorized Issuer, including 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 $11.7 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 3.6 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2017 Bonds. While additional State Personal Income Tax Revenue Bonds are expected to be issued by Authorized Issuers as appropriate for Authorized Purposes as noted herein, in no event may any additional State Personal Income Tax Revenue Bonds (other than certain refunding bonds) be issued unless the additional bonds test under the respective general resolution has been satisfied. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS —Additional Bonds" and "PART 4 — SOURCES OF NEW

Additional Bonds and Debt Service Coverage *(continued)*	YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND — Projected Debt Service Coverage." As of March 1, 2017, approximately $31.4 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 2016-17. Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for State general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation bonds. In the event that such revenues and other amounts in the General Fund are insufficient to pay State general obligation bondholders, the State may also use amounts on deposit in the 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 2017 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 19 — CONTINUING DISCLOSURE" and "APPENDIX D — EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT."

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OFFICIAL STATEMENT

Relating to

$1,842,665,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE)

$807,960,000 **SERIES 2017A**	**$1,034,705,000** **SERIES 2017B** **(Federally Taxable)**

PART 2 — INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page, 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 State Personal Income Tax Revenue Bonds (General Purpose), Series 2017A (the "Series 2017A Bonds") and State Personal Income Tax Revenue Bonds (General Purpose), Series 2017B (Federally Taxable) (the "Series 2017B Bonds"; and collectively with the Series 2017A Bonds, the "Series 2017 Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2017 Bonds being offered hereby are set forth on the inside cover page of this Official Statement.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2017 Bonds, and the statutory allocation of 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. See "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS — The Revenue Bond Tax Fund."

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

The Series 2017 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 2017 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 $807,960,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2016B and $1,034,705,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2016C (Federally Taxable), adopted by the Corporation on November 30, 2016 (the "Series 2017 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 2016B and Series 2016C (Federally Taxable), adopted by the Corporation on November 30, 2016 (the "Series 2017 Bond Financing Committee Resolution", and together with the General Resolution and the Series 2017 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 2017 Bonds, being herein referred to as the "Bonds").

The Series 2017 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 2017 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 March 1, 2017, approximately $31.4 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 2017 Bonds" and "— Additional Bonds."

The Series 2017 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 and refunding certain outstanding State Personal Income Tax Revenue Bonds and other State-supported debt issued by the Corporation and other Authorized Issuers. For a more complete description of the expected application of proceeds of the Series 2017 Bonds, see "PART 6 — THE PROJECTS" and "PART 9 — PLAN OF REFUNDING" herein. **The Series 2017 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 2017 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 2017 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 11 — THE CORPORATION" for a further description of the Corporation.

The Series 2017 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2017 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 2017 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 — Certain Defined Terms."

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

The Revenue Bond Tax Fund

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

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

Series 2017 Bonds

The Series 2017 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 2017 Bonds is included as Appendix C hereto. The Series 2017 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 2017 Bonds consists of (i) the payments made pursuant to the Financing Agreement and (ii) the Funds and accounts established under the General Resolution (other than the Rebate Fund and the Administrative Fund as provided in the Resolution) and the investment earnings thereon.

The Enabling Act and each of the general resolutions permit the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test described herein, Revenue Bond Tax Fund Receipts of approximately $11.7 billion are available to pay financing agreement payments on a pro-forma basis, which amount represents approximately 3.6 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2017 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been satisfied. See "— Additional Bonds" below and "PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND — Projected Debt Service Coverage."

The revenues, facilities, properties and any and all other assets of 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 11 — 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 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 provides that:

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

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

    (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and

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

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

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

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

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

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

Set Aside of Revenue Bond Tax Fund Receipts

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

1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.

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

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

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

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

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Flow of Revenue Bond Tax Fund Receipts

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

On or before October 1

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

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No later than 30 Days after Budget Submission (Mid February)

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

- 25% of monthly State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund
- Monthly set asides for financing agreement payments and other cash requirements (for outstanding bonds and projected issuances)

↓

Beginning on the First Day of Each Month

100% of daily receipts from the Withholding Component flow to the Revenue Bond Tax Fund until 25% of estimated monthly New York State Personal Income Tax Receipts has been deposited**

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

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After the monthly amounts necessary to make financing agreement payments and meet other cash requirements have been set aside, and assuming appropriations have been enacted and any required payments have been made by the State Comptroller, excess moneys in the Revenue Bond Tax Fund flow to the General Fund

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12th Day of the following Month

The Commissioner of Taxation and Finance certifies to the State Comptroller 25% of actual New York State Personal Income Tax Receipts for the prior month and the State Comptroller adjusts deposits to the Revenue Bond Tax Fund accordingly

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

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

Moneys Held in the Revenue Bond Tax Fund

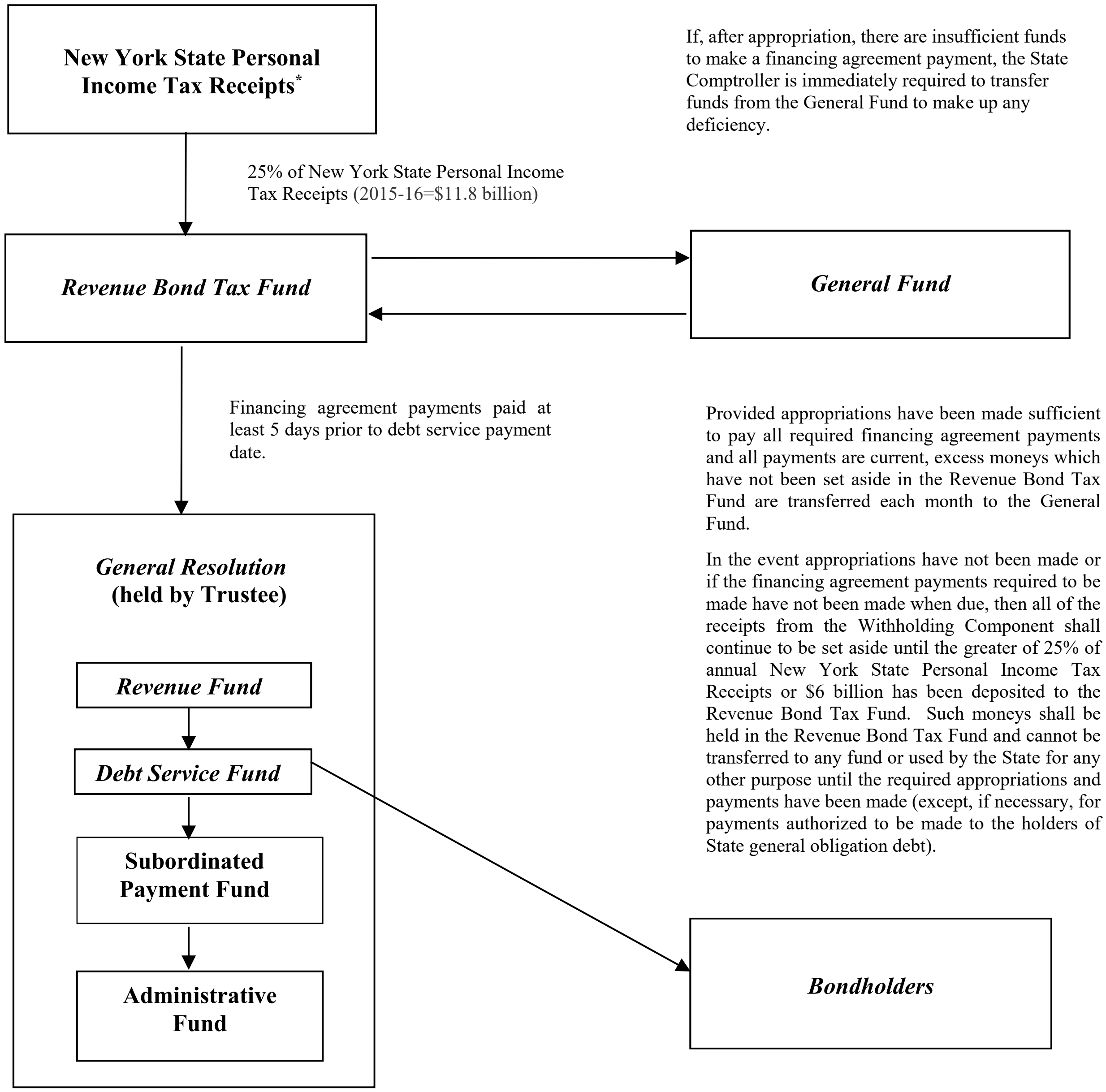
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Corporation and other Authorized Issuers (which 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 requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including 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 New York State Personal Income Tax.

Appropriation by the State Legislature

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

30th or September 15th depending on the nature of the appropriation. See "— Moneys Held in the Revenue Bond Tax Fund" in this section.

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

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

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

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

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

Additional Bonds

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

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

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

Parity Reimbursement Obligations

An Authorized Issuer, including 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 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

Reservation of State's Right to Substitute Credit

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

In the event a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that 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 FOR THE REVENUE BOND TAX FUND

General History of the State Personal Income Tax

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

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

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

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

Personal Income Tax Rates

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with $100,000 or more of AGI, the savings from graduated marginal tax rates is recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. For tax years 2006 through 2008, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. For tax years 2009 through 2011, a temporary tax rate increase applied, which added two additional rates and brackets. The following tables set forth the rate schedules for tax year 2016, tax year 2017 and tax years after 2017, which are the same as the tax year 2017 schedule except that (i) the 8.82 percent top rate bracket expires after tax year 2017 and (ii) middle class tax rates are phased-in between tax years 2018 and 2025.

New York State Personal Income Tax Rates for Tax Year 2016

Married Filing Jointly and Qualified Widow(er)	**Tax***
Taxable Income:	
Not over $17,050	4% of taxable income
Over $17,050 but not over $23,450	$682 plus 4.50% of excess over $17,050
Over $23,450 but not over $27,750	$970 plus 5.25% of excess over $23,450
Over $27,750 but not over $42,750	$1,196 plus 5.90% of excess over $27,750
Over $42,750 but not over $160,500	$2,081 plus 6.45% of excess over $42,750
Over $160,500 but not over $321,050	$9,676 plus 6.65% of excess over $160,500
Over $321,050 but not over $2,140,900	$20,352 plus 6.85% of excess over $321,050
Over $2,140,900	$145,012 plus 8.82% of excess over $2,140,900
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,450	4% of taxable income
Over $8,450 but not over $11,650	$338 plus 4.50% of excess over $8,450
Over $11,650 but not over $13,850	$482 plus 5.25% of excess over $11,650
Over $13,850 but not over $21,300	$598 plus 5.90% of excess over $13,850
Over $21,300 but not over $80,150	$1,037 plus 6.45% of excess over $21,300
Over $80,150 but not over $214,000	$4,833 plus 6.65% of excess over $80,150
Over $214,000 but not over $1,070,350	$13,734 plus 6.85% of excess over $214,000
Over $1,070,350	$72,394 plus 8.82% of excess over $1,070,350
Head of Household	
Taxable Income:	
Not over $12,750	4% of taxable income
Over $12,750 but not over $17,550	$510 plus 4.50% of excess over $12,750
Over $17,550 but not over $20,800	$726 plus 5.25% of excess over $17,550
Over $20,800 but not over $32,000	$897 plus 5.90% of excess over $20,800
Over $32,000 but not over $106,950	$1,557 plus 6.45% of excess over $32,000
Over $106,950 but not over $267,500	$6,392 plus 6.65% of excess over $106,950
Over $267,500 but not over $1,605,650	$17,068 plus 6.85% of excess over $267,500
Over $1,605,650	$108,732 plus 8.82% of excess over $1,605,650

* A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds $2,190,900 for married filing jointly taxpayers in tax year 2016, all taxable income becomes effectively subject to a flat 8.82 percent tax rate.

New York State Personal Income Tax Rates for Tax Year 2017

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 6.45% of excess over $43,000
Over $161,550 but not over $323,200	$9,739 plus 6.65% of excess over $161,550
Over $323,200 but not over $2,155,350	$20,352 plus 6.85% of excess over $323,200
Over $2,155,350	$145,991 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	$4,864 plus 6.57% of excess over $80,650
Over $215,400 but not over $1,077,050	$13,805 plus 6.85% of excess over $215,400
Over $1,077,550	$72,882 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	$6,434 plus 6.57% of excess over $107,650
Over $269,300 but not over $1,616,450	$17,184 plus 6.85% of excess over $269,300
Over $1,616,450	$109,464 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 year 2017, all taxable income becomes effectively subject to a flat 8.82 percent tax rate..

New York State Personal Income Tax Rates for Tax Years After 2017 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 6.45% of excess over $43,000
Over $161,550 but not over $323,200	$9,597 plus 6.65% of excess over $161,550
Over $323,200	$20,218 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 6.33% 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	$13,646 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 6.33% 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	$16,954 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, all taxable income becomes effectively subject to a flat 6.85 percent tax rate. Furthermore, the marginal tax rates between 5.9 percent and 6.57 percent are gradually phased-in to rates between 5.5 percent and 6 percent between tax years 2018 and 2025.

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 $13,850 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 5.90% 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, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

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

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

Revenue Bond Tax Fund Receipts

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

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

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 2006-07 through 2017-18. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund.

NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 2006-07 through 2017-18

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts*
2006-07	$30,586,021,803	$26,802,005,019	87.6%	$ 7,646,505,451
2007-08	36,563,948,528*	28,440,134,437	77.8	9,140,987,132*
2008-09	36,840,019,400*	27,686,157,203	75.2	9,210,004,850*
2009-10	34,751,381,665*	29,443,180,489	84.7	8,687,845,416*
2010-11	36,209,215,560*	31,240,169,745	86.3	9,052,303,890*
2011-12	38,767,826,942*	31,198,971,588	80.5	9,691,956,736*
2012-13	40,226,714,989*	31,957,653,106	79.4	10,056,678,747*
2013-14	42,960,774,915*	33,367,555,788	77.7	10,740,193,729*
2014-15	43,709,833,323*	34,906,793,775	79.9	10,927,458,331*
2015-16	47,055,282,776*	36,549,037,064	77.7	11,763,820,694*
2016-17 (est.)	47,309,000,000*	37,575,000,000	79.4	11,827,250,000*
2017-18 (proj.)	50,682,000,000*	39,359,000,000	77.7	12,670,500,000*

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

In State Fiscal Year 2015-16, New York State Personal Income Tax Receipts totaled approximately $47.1 billion and accounted for approximately 63 percent of State tax receipts in all State Funds. The 30-day amendments to the 2017-18 Executive Budget Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 0.5% to $47.3 billion in State Fiscal Year 2016-17.

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.

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 2007 through 2016.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 2007 to 2016*

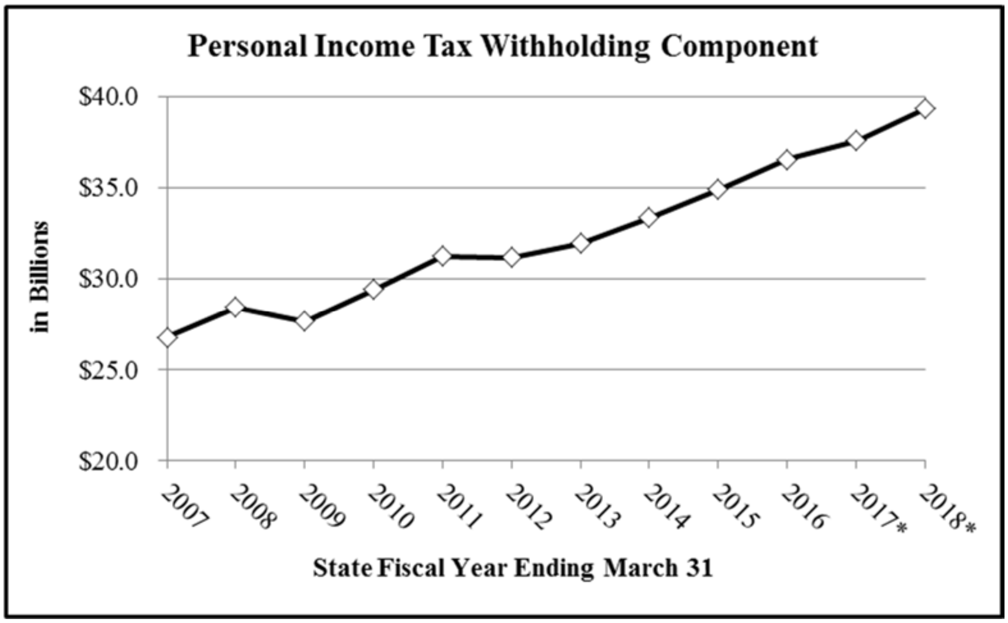
Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
		($ in millions)		
2007	$725,245	14.6%	$35,215	19.0%
2008	662,053	(8.7)	31,621	(10.2)
2009	596,471	(9.9)	31,162	(1.5)
2010	638,855	7.1	34,834	11.8
2011	657,298	2.9	36,296	4.2
2012	714,698	8.7	38,046	4.8
2013	714,046	(0.1)	37,331	(1.8)
2014	776,477	8.7	41,909	12.3
2015 (proj.)	806,874	3.9	43,498	3.8
2016 (proj.)	818,416	1.4	44,389	2.0

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

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

The 30-day amendments to the 2017-18 Executive Budget Financial Plan estimates that tax year 2015 personal income tax liability totaled $43.5 billion, increasing 3.8 percent over the prior year. Personal income tax liability is projected to increase by 2.0 percent to total $44.4 billion in tax year 2016.

The following graph shows the history of withholding receipts since State Fiscal Year 2006-07. Like overall adjusted gross incomes and tax liabilities, withholding steadily increased each year through State Fiscal Year 2010-11 except the recession-related State Fiscal Year 2008-09, due to overall growth in employment and wages, as well as the temporary tax surcharge, which applied during State Fiscal Years 2009-10, 2010-11, and part of 2011-12. Withholding receipts for State Fiscal Year 2016-17 are estimated to be $1.0 billion (2.8 percent) higher compared to State Fiscal Year 2015-16.



* Estimated.

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

Debt Service Coverage

The following table sets forth (1) Revenue Bond Tax Fund Receipts for a twelve consecutive calendar month period ended not more than six months prior to the date of such calculation, (2) maximum Calculated Debt Service on the outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2017 Bonds, and (3) resulting debt service coverage. There can be no assurance that actual Revenue Bond Tax Fund Receipts will not be less than the amounts collected during the calculation period, as a result of numerous factors affecting Personal Income Tax Receipts that cannot be predicted at this time.

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

Revenue Bond Tax Fund Receipts	$11,695,600
Maximum Calculated Debt Service	$3,227,402
Debt Service Coverage	3.6x

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Annual Information Statement of the State of New York dated June 29, 2016), including assumed average State Personal Income Tax Revenue Bond issuances of approximately $4.4 billion annually over the next four years, State Personal Income Tax Revenue Bond debt service coverage based only upon the Revenue Bond Fund's receipt of the New York State Personal Income Tax Receipts is expected to decline from 3.8 times in State Fiscal Year 2016-17 to 2.9 times in State Fiscal Year 2019-20.

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

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Projected Revenue Bond Tax Fund Receipts	$12,366,232	$12,938,732	$12,933,538	$13,435,750
Projected New State Personal Income Tax Revenue Bonds Issuances	2,592,602	5,705,407	4,823,236	4,548,791
Projected Total State Personal Income Tax Revenue Bonds Outstanding	32,292,307	36,312,999	39,202,789	41,548,505
Projected Maximum Annual Debt Service	3,285,833	3,757,016	4,181,916	4,596,699
Projected Debt Service Coverage	3.8x	3.4x	3.1x	2.9x

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

PART 5 — DESCRIPTION OF THE SERIES 2017 BONDS

General

The Series 2017 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, 2017 and on each March 15 and September 15 thereafter at the rates set forth on the inside cover page of this Official Statement.

The Series 2017 Bonds will be issued only as fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

The Series 2017 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 2017 Bonds. Principal or redemption price of and interest on each series of the Series 2017 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 2017 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).

Redemption

Optional Redemption of the Series 2017A Bonds

The Series 2017A Bonds maturing on or before March 15, 2027 are not subject to redemption at the option of the Corporation.

The Series 2017A Bonds maturing after March 15, 2027 are subject to redemption at the option of the Corporation at any time on or after March 15, 2027, either as a whole or in part in such order of maturity as the Corporation may determine (and if less than all of a maturity is to be redeemed, in such manner as the Trustee may determine), at par plus accrued interest to the date of redemption.

Make-Whole Optional Redemption of the Series 2017B Bonds

The Series 2017B 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, at the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is the greater of (i) the issue price(s) as shown on the inside cover page of this Official Statement (but not less than 100% of the principal amount of the Series 2017B Bonds to be redeemed), or (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2017B Bonds to be redeemed (taking into account any mandatory sinking fund redemptions), not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2017B Bonds are to be redeemed, discounted to the date on which such Series 2017B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (defined below) plus 15 basis points, plus, in each case, accrued and unpaid interest on the Series 2017B Bonds to be redeemed on the redemption date.

For purpose of determining the Make-Whole Redemption Price:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2017B Bond, the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than 45 calendar 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 Bond to be redeemed.

Mandatory Sinking Fund Redemption of Series 2017 Bonds

The Series 2017A Bonds maturing on March 15, 2043 and maturing on March 15, 2047 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 2017A Term Bond
Maturing March 15, 2043

Year	Sinking Fund Installments
2042	$3,175,000
2043†	3,295,000

Series 2017A Term Bond
Maturing March 15, 2047

Year	Sinking Fund Installments
2044	$3,420,000
2045	3,555,000
2046	3,700,000
2047†	3,845,000

† Stated maturity.

The Series 2017B Bonds maturing on March 15, 2022 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 2017B Term Bond
Maturing March 15, 2022

Year	Sinking Fund Installments
2018	$ 93,635,000
2019	101,285,000
2020	105,665,000
2021	107,890,000
2022†	110,140,000

† Stated maturity.

In connection with any optional redemption or purchase and cancellation of the Series 2017A or Series 2017B Term Bonds of a maturity, the principal amount of such series and maturity of Term Bonds being redeemed or purchased and cancelled shall be allocated against the scheduled sinking fund redemption amounts set forth above for the Term Bonds of such series and maturity in such manner as the Corporation may direct and the scheduled sinking fund installments payable thereafter shall be modified as to such series and maturity of Series 2017 Bonds. In such event, the Corporation shall provide to the Trustee a revised schedule of sinking fund installments. If fewer than all of any series of Series 2017 Bonds of the same maturity are to be redeemed, the particular Series 2017 Bonds of such maturity to be redeemed will be determined as set forth below under "— Selection of Bonds to be Redeemed; Notice of Redemption."

Selection of Series 2017 Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2017A Bonds or Series 2017B Bonds at the option of the Corporation, the Corporation will select the maturities of the Series 2017A Bonds or Series 2017B Bonds to be redeemed.

If less than all of the Series 2017A Bonds or Series 2017B Bonds of a maturity are to be redeemed, the Trustee shall assign to each Outstanding Series 2017A Bond or Series 2017A Bond of such maturity 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 2017A Bonds or Series 2017B 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 2017A Bonds or Series 2017B Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2017A Bonds or Series 2017B Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2017A Bonds or Series 2017B Bonds to be redeemed.

In the case of optional redemption of the Series 2017B Bonds, if the Series 2017B Bonds are registered in book-entry form, and so long as DTC or a successor securities depository is the sole registered owner of such Series 2017B Bonds and if fewer than all of any maturity of the Series 2017B Bonds are to be redeemed, the particular Series 2017B Bonds to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that the selection for redemption of such Series 2017B Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the Series 2017B Bonds will be selected for redemption, in accordance with DTC procedures, by lot; provided, however, that any such redemption must be performed such that all Series 2017B Bonds, as applicable, remaining outstanding will be in authorized denominations. See "PART 7 — BOOK ENTRY ONLY SYSTEM."

In connection with any redemption of Series 2017B Bonds, the Trustee will direct DTC to make a pass-through distribution of principal to the owners of the Series 2017B Bonds. To enable the Trustee to make such direction, the Corporation shall provide or cause to be provided to the Trustee a form of Pro Rata Pass-Through Distribution of Principal Notice that includes a table of factors reflecting the relevant redemption payment, in sufficient time to permit the Trustee to direct DTC to make the distribution in accordance with DTC's then-applicable procedures.

It is the Corporation's intent that redemption allocations made by DTC be made on a pro rata pass-through distribution of principal basis as described above. However, the Corporation cannot provide any assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of the Series 2017B Bonds on such basis.

If the Series 2017B Bonds are not registered in book-entry form and if fewer than all of a maturity of the Series 2017B Bonds are to be redeemed, the particular Series 2017B Bonds to be redeemed will be selected on a pro rata basis, such that the principal amount of each registered owner's Series 2017B Bonds of such maturity selected for redemption will be calculated according to the formula: (total principal amount to be redeemed) x (outstanding principal amount of registered owner's Series 2017B Bonds of such maturity and interest rate) / (outstanding principal amount of all Series 2017B Bonds of such maturity); provided, however, that any such redemption must be performed such that all Series 2017B Bonds remaining outstanding will be in authorized denominations.

Notice of Redemption

Any notice of optional redemption of the Series 2017 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2017 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 2017B Bonds as described under "— Make-Whole Optional Redemption of Series 2017B 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 2017 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 2017 Bonds, which notice shall specify the Series 2017 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2017 Bonds of a Series of any like maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2017 Bonds to be redeemed, and in the case of Series 2017 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2017 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 2017 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 2017 Bonds or portions of Series 2017 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 2017 Bonds, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

PART 6 — THE PROJECTS

The Series 2017 Bonds are being issued for the purposes of financing Authorized Purposes. Proceeds of the Series 2017 Bonds are expected to be used to (a) finance or reimburse all or a portion of the costs of programs and projects throughout the State, including information technology projects, correctional and youth facilities projects, housing assistance projects and programs, economic development projects, State facilities projects and environmental infrastructure projects, and (b) refund certain outstanding State Personal Income Tax Revenue Bonds previously issued by the Corporation and HFA. See PART 9 — PLAN OF REFUNDING" herein. In addition, proceeds of the Series 2017 Bonds will be used to pay all or part of the cost of issuance of the Series 2017 Bonds.

The Series 2017 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 2017 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 2017 Bonds. References to the Series 2017 Bonds under this caption "Book-Entry Only System" shall mean all Series 2017 Bonds, the beneficial interests in which are owned in the United States. The Series 2017 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 2017 Bond certificate will be issued for the Series 2017 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 Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 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 2017 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 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 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 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2017 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds. In that event, Series 2017 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 2017 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 2017 BONDS.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2017 Bonds (other than under the caption "PART 13 — TAX MATTERS" and "PART 19 — CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2017 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 2017 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 2017 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2017 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2017 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 2017 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 2017 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

	Series 2017 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)(4)**	**Aggregate Debt Service(1)(2)**
2017				$ 3,011,463,308	$ 3,011,463,308
2018	$ 93,635,000	$ 64,947,959	$ 158,582,959	2,942,416,174	3,100,999,134
2019	102,980,000	64,457,714	167,437,714	3,008,298,581	3,175,736,296
2020	128,655,000	62,245,979	190,900,979	3,036,501,285	3,227,402,264
2021	139,135,000	58,877,514	198,012,514	3,008,613,007	3,206,625,521
2022	138,835,000	55,049,574	193,884,574	2,859,017,750	3,052,902,325
2023	138,495,000	51,301,884	189,796,884	2,789,479,621	2,979,276,505
2024	142,795,000	46,997,336	189,792,336	2,638,247,445	2,828,039,781
2025	147,910,000	41,900,216	189,810,216	2,508,379,079	2,698,189,295
2026	153,425,000	36,350,970	189,775,970	2,443,506,304	2,633,282,274
2027	159,245,000	30,569,927	189,814,927	2,291,045,982	2,480,860,908
2028	60,905,000	24,263,027	85,168,027	2,269,986,168	2,355,154,195
2029	45,995,000	21,391,656	67,386,656	1,934,384,658	2,001,771,314
2030	34,405,000	19,091,906	53,496,906	1,767,140,944	1,820,637,850
2031	36,125,000	17,371,656	53,496,656	1,669,353,343	1,722,849,999
2032	37,915,000	15,565,406	53,480,406	1,544,827,136	1,598,307,543
2033	39,810,000	13,669,656	53,479,656	1,370,099,781	1,423,579,437
2034	41,810,000	11,679,156	53,489,156	1,186,104,988	1,239,594,145
2035	43,890,000	9,588,656	53,478,656	1,099,815,727	1,153,294,383
2036	46,080,000	7,394,156	53,474,156	945,004,127	998,478,283
2037	48,400,000	5,090,156	53,490,156	836,224,709	889,714,865
2038	26,410,000	2,670,156	29,080,156	751,086,312	780,166,469
2039	8,795,000	1,349,656	10,144,656	675,672,783	685,817,440
2040	2,960,000	1,041,831	4,001,831	549,136,177	553,138,008
2041	3,065,000	934,531	3,999,531	445,486,238	449,485,769
2042	3,175,000	823,425	3,998,425	355,409,581	359,408,006
2043	3,295,000	704,363	3,999,363	251,101,250	255,100,613
2044	3,420,000	580,800	4,000,800	148,693,850	152,694,650
2045	3,555,000	444,000	3,999,000	84,302,200	88,301,200
2046	3,700,000	301,800	4,001,800	14,674,400	18,676,200
2047	3,845,000	153,800	3,998,800	0	3,998,800
Total(4)	$1,842,665,000	$666,808,870	$2,509,473,870	48,435,472,908	50,944,946,778

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

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

(3) Excludes debt service on outstanding State Personal Income Tax Revenue Bonds issued by the Corporation and HFA that are being refunded by the Series 2017 Bonds.

(4) Totals may not add due to rounding.

PART 9 — PLAN OF REFUNDING

A portion of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds will be used to refund certain State Personal Income Tax Revenue Bonds previously issued by the Corporation and HFA, as more particularly described in "APPENDIX F — REFUNDED BONDS" hereto (collectively, the "Refunded Bonds").

Simultaneously with the issuance and delivery of the Series 2017 Bonds, a portion of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds will be deposited in an escrow with the respective trustees for the Refunded Bonds, as escrow agent for the applicable Refunded Bonds (each an "Escrow Agent"), and, together with other available funds, if any, will be used to acquire direct non-callable obligations of the United States of America (together with any approved substitute Government Obligations, the "Defeasance Securities"), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the maturing principal or redemption price of and interest due on the applicable Refunded Bonds to their respective maturity or redemption dates shown in APPENDIX F. See "PART 20 — VERIFICATION OF MATHEMATICAL COMPUTATIONS." At or prior to the making of such deposits, the Corporation and HFA, as applicable, will have given or will give, as the case may be, the Escrow Agents irrevocable instructions to give notice of the redemption of the respective Refunded Bonds, and to apply the maturing principal of and interest on the Defeasance Securities, together with any uninvested cash held in escrow, to the payment of the maturing principal or redemption price of and interest due on the applicable Refunded Bonds to their respective maturity or redemption dates.

In the opinion of defeasance counsel to the Corporation and HFA, respectively, upon (a) the deposit with the applicable Escrow Agent of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds, as applicable, and other available funds, if any, and the purchase of the Defeasance Securities and (b) the giving of the irrevocable instructions described above, the Refunded Bonds will be deemed to have been paid under the terms of the respective resolutions under which such Refunded Bonds were issued.

PART 10 — ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds with respect to the Series 2017 Bonds:

Sources of Funds	**Series 2017A**	**Series 2017B**	**Total**
Principal Amount of Series 2017 Bonds .	$807,960,000.00	$1,034,705,000.00	$1,842,665,000.00
Net Original Issue Premium/Discount.....	126,497,300.20		126,497,300.20
Total Sources	$934,457,300.20	$1,034,705,000.00	$1,969,162,300.20
Uses of Funds			
Deposit to Series 2017 Bond Proceeds Accounts..	$383,662,980.88	$ 927,385,039.72	$1,311,048,020.60
Deposit to Escrow Funds........................	541,006,298.61	95,699,582.02	636,705,880.63
Costs of Issuance*...................................	7,182,763.05	9,072,803.03	16,255,566.08
Initial Purchasers' Discount	2,605,257.66	2,547,575.23	5,152,832.89
Total Uses	$934,457,300.20	$1,034,705,000.00	$1,969,162,300.20

*Includes New York State Bond Issuance Charge.

PART 11— 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 9,700 projects have been approved, totaling more than $10.3 billion in grants and $325.9 million in loans. More than 479,000 jobs have been retained and 225,000 jobs have been created by these projects.

Through its Finance Division, the Corporation has issued approximately $18.6 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

Peter J. Beshar, Executive Vice President and General Counsel, Marsh & McLennan Companies, Inc.

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

Joyce L. Miller, Chief Executive Officer, Tier One Public Strategies

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

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

Eileen McEvoy, Corporate Secretary

Kathleen Mize, Deputy Chief Financial Officer and Controller

Robert M. Godley, Treasurer

The Corporation's staff includes experienced business executives, financial analysts, accountants, lawyers, urban planners, project managers, architects, engineers, construction supervisors, 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 2017 Bonds.

PART 12 — 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 13 — TAX MATTERS

Series 2017A Bonds

General

In the opinions of Hawkins Delafield & Wood LLP and the Law Offices of Joseph C. Reid, P.A., co-bond counsel to the Corporation (collectively, "Co-Bond Counsel"), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2017A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering such opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation, the New York State Department of Corrections and Community Supervision ("DOCCS"), the New York State Office of Children and Family Services ("OCFS"), the New York State Office of General Services ("OGS"), HFA, the New York State Affordable Housing Corporation ("AHC"), the New York State Homeless Housing and Assistance Corporation ("HHAC"), the New York State Housing Trust Fund Corporation ("HTFC"), the New York State Office of Information Technology Services ("OITS"), the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"), the New York State Department of Agriculture and Markets ("DAM"), the New York State Department of Law ("DOL"), the New York State Olympic Regional Development Authority ("ORDA"), the Albany Convention Center Authority ("ACCA"), the New York State Division of State Police ("DSP"), the New York State Division of Military and Naval Affairs ("DMNA"), the New York State Office of Court Administration ("OCA"), the New York State Statewide Financial System ("SFS"), the New York State Energy Research and Development Authority ("NYSERDA") and others in connection with the Series 2017A Bonds, and have assumed compliance by, as applicable, the Corporation, DOCCS, OCFS, OGS, HFA, AHC, HHAC, HTFC, OITS, OPRHP, DAM, DOL, ORDA, ACCA, DSP, DMNA, OCA, SFS and NYSERDA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2017A Bonds from gross income under Section 103 of the Code.

In addition, in the opinions of Co-Bond Counsel, under existing statutes, interest on the Series 2017A Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Series 2017A Bonds. Co-Bond Counsel render their respective opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinions to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2017A Bonds, or the exemption from personal income taxes of interest on the Series 2017A Bonds under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2017A Bonds in order that interest on the Series 2017B Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2017A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2017A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Corporation, DOCCS, OCFS, OGS, HFA, AHC, HHAC, HTFC, OITS, OPRHP, DAM, DOL, ORDA, ACCA, DSP, DMNA, OCA, SFS and NYSERDA have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2017A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2017A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2017A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2017A Bonds.

Prospective owners of the Series 2017A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2017A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Series 2017A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Series 2017A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Series 2017A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Co-Bond Counsel are of the opinion that, for any Series 2017A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2017A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of OID for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Series 2017A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2017A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including OID) paid on tax-exempt obligations, including the Series 2017A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2017A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2017A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2017A Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2017A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2017A Bonds.

Prospective purchasers of the Series 2017A Bonds should consult their own tax advisors regarding the foregoing matters.

The proposed form of the opinions of Co-Bond Counsel relating to the Series 2017A Bonds is set forth in Appendix D hereto.

Series 2017B Bonds

General

In the opinions of Co-Bond Counsel, interest on the Series 2017B Bonds (the "Taxable Bonds") (i) is included in gross income for Federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of New York or any political subdivisions thereof (including The City of New York).

The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of Taxable Bonds by original purchasers of the Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Taxable Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Taxable Bonds as a position in a "hedge" or "straddle" for United States

Federal income tax purposes, holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, holders who acquire Taxable Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code. Each prospective purchaser of the Taxable Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

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

U.S. Holders—Interest Income

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

Original Issue Discount

For United States Federal income tax purposes, a Taxable Bond will be treated as issued with original issue discount ("OID") if the excess of a Taxable Bond's "stated redemption price at maturity" over its "issue price" equals or exceeds a statutorily determined de minimis amount. The "issue price" of each Taxable Bond in a particular issue equals the first price at which a substantial amount of such issue is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Taxable Bond is the sum of all payments provided by such Taxable Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In general, if the excess of a Taxable Bond's stated redemption price at maturity over its issue price is less than 0.25 percent of the Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "de minimis amount"), then such excess, if any, constitutes de minimis OID, and the Taxable Bond is not treated as being issued with OID and all payments of stated interest (including stated interest that would otherwise be characterized as OID) is treated as qualified stated interest, as described below.

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

Taxable Bond plus the amount of accrued OID includable in income for all prior accrual periods minus the amount of any prior payments on the Taxable Bond other than qualified stated interest payments. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (i) the amount payable at the maturity of the Taxable Bond (other than a payment of qualified stated interest) and (ii) the Taxable Bond's adjusted issue price as of the beginning of the final accrual period. Under the OID rules, U.S. Holders generally will have to include in income increasingly greater amounts of OID in successive accrual periods.

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

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

Bond Premium

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

Bond even though it is sold or redeemed for an amount less than or equal to the U.S. Holder's original acquisition cost.

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

U.S. Holders—Disposition of Taxable Bonds

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

U.S. Holders—Defeasance

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

U.S. Holders—Backup Withholding and Information Reporting

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

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

Miscellaneous

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

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

The proposed form of the opinions of Co-Bond Counsel relating to the Series 2017B Bonds is set forth in Appendix D hereto.

PART 14 — 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 2017 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2017 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 2017 Bonds, the General Resolution or the Financing Agreement. See "APPENDIX A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

PART 15 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2017 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and the Law Offices of Joseph C. Reid, P.A., 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 2017 Bonds. The proposed form of such opinions is included in this Official Statement as Appendix E.

PART 16 — SALE BY COMPETITIVE BIDDING

The Series 2017A Bonds were awarded pursuant to three separate competitive bidding processes on March 16, 2017. The Series 2017A Bonds Maturity Group A, comprised of Series 2017A Bonds maturing in the years 2019 through 2027, inclusive, were sold to J.P. Morgan Securities LLC. The Series 2017A Bonds Maturity Group B, comprised of Series 2017A Bonds maturing in the years 2028 through 2033, inclusive, were sold to Jefferies LLC. The Series 2017A Bonds Maturity Group C, comprised of Series 2017A Bonds maturing in the years 2034 through 2047, inclusive, were sold to Morgan Stanley & Co. LLC. The Series 2017A Bonds will be purchased by the respective purchasers at an aggregate price of $931,852,042.54, which reflects net original issue premium of $126,497,300.20 and underwriters' discount of $2,605,257.66.

The Series 2017B Bonds also were awarded, pursuant to two separate competitive bidding processes on March 16, 2017. The Series 2017B Bonds Maturity Group A, comprised of Series 2017B Bonds maturing in the years 2018 through 2022, inclusive, were sold to J.P. Morgan Securities LLC. The Series 2017B Bonds Maturity Group B, comprised of Series 2017B Bonds maturing in the years 2023 through 2028, inclusive, were sold to Morgan Stanley & Co. LLC. The Series 2017B Bonds will be purchased by the respective purchasers at an aggregate price of $1,032,157,424.77, which reflects an underwriter's discount of $2,547,575.23.

The respective initial purchasers (the "Initial Purchasers") have supplied the information as to the initial public offering prices of the Series 2017 Bonds as set forth on the inside cover of this Official Statement. The Series 2017 Bonds may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Initial Purchasers.

PART 17 — LEGALITY OF INVESTMENT

The UDC Act provides that the Series 2017 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 18 — RATINGS

The Series 2017 Bonds are rated "AA+" by Fitch and "AAA" by S&P Global Ratings. Each rating reflects only the view of the rating agency issuing such rating and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. The Corporation furnished to such rating agencies certain materials and information in addition to that provided here. 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 2017 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 19 — CONTINUING DISCLOSURE

In order to assist the Initial Purchasers of the Series 2017 Bonds to comply with Rule 15c2-12 ("Rule 15c2-12") promulgated by the Securities and Exchange Commission 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 (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2017 Bonds, 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 2017 Bonds, with the fiscal year ending March 31, 2017. 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 2017 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 2017 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 2017 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 20 — VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by Samuel Klein and Company, Certified Public Accountant (the “Verification Agent”). These computations, which were provided by Public Resources Advisory Group, indicate (i) the sufficiency of the receipts from the Defeasance Securities, together with an initial cash deposit, to pay the maturing principal or redemption price of and interest on the Refunded Bonds to their respective maturity or redemption dates shown in APPENDIX F, and (ii) the yields to be considered in determining that the Series 2017A Bonds are not “arbitrage bonds” under Section 148 of the Internal Revenue Code. The Verification Agent relied upon assumptions and information supplied by the Initial Purchasers on behalf of the Corporation and has not made any study or examination of them, except as noted in its report. The Verification Agent has not expressed an opinion on the reasonableness of the assumptions or the likelihood that the debt service requirements of the Refunded Bonds will be paid as described in its report.

PART 21— MISCELLANEOUS

Certain information concerning the State (which is either included in or appended to this Official Statement) has been furnished or reviewed and authorized for use by 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 fourth, eighth (last sentence only) and ninth paragraphs under the subcaption "Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts", as to which no representation is made), (ii) "PART 2 — INTRODUCTION" (the second, third, fourth, sixth, seventh, eighth, tenth (other than the last sentence thereof) and twelfth (other than the last sentence thereof) paragraphs only), (iii) "PART 3 — SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS ", (iv) "PART 4 — SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," (v) "PART 8 — DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service", and (vi) "PART 19 — 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 2017 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 2017 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2017 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2017 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.

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/Robert M. Godley
Authorized Officer

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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

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

The AIS set forth in this Appendix A is dated June 29, 2016. It was updated on March 7, 2017. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.ny.gov.

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

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

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Update to Annual Information Statement State of New York

March 7, 2017

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Annual Information Statement Update

Table of Contents

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Introduction

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Introduction

This Annual Information Statement (AIS) Update (the "AIS Update") is dated March 7, 2017 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 third quarterly update to the AIS dated June 29, 2016 (the "AIS"). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Governor's Executive Budget Financial Plan for Fiscal Year (FY) 2018, as amended (the "Updated Financial Plan" or "Executive Budget Financial Plan"), issued by the Division of the Budget (DOB). The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of operating results through the third quarter of FY 2017 and updates to the State's official Financial Plan projections for FY 2017 through FY 2020[1] and initial projections for FY 2021.
2. A discussion of issues and risks that may affect the Updated Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the State Financial Plan").
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated Information on certain public authorities and localities of the State.
5. Updated information regarding the State Retirement System.
6. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for FY 2016 and projected receipts and disbursements for FYs 2017 through 2020 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 and Arbitration" has been furnished by the State Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of this AIS Update.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year

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

and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS Update. Investors and other market participants should, however, refer to the AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

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

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

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

Usage Notice

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

This AIS Update is available in electronic form on the DOB website at www.budget.ny.gov. Such availability does not imply that there have been no changes in the financial position of the State subsequent to the posting of this information. Maintenance of this AIS Update on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date. No incorporation by reference or republication of any information contained on any website is intended or shall be deemed to have occurred as a result of the inclusion of any website address in this AIS Update. References to web site addresses presented herein are for informational purposes only and may be in the form of a web site address solely for the reader's convenience.

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

Significant Budgetary/Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

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

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

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

Significant Budgetary/Accounting Practices

As described later in this AIS Update, the Executive Budget includes some proposals and recommendations that would affect annual spending growth on a State Operating Funds basis of reporting, including (i) 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 such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, this could add upward pressure to the reported level of annual spending growth in State Operating Funds, which the Executive Budget proposes be held to less than 2 percent in FY 2018.

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

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

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

The Updated Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on a number of assumptions and are developed by DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Updated Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, taking into account the current and projected fiscal position of the State. The Updated Financial Plan projections for FY 2019 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending to no greater than 2 percent. Total disbursements in the Updated Financial Plan tables and narrative, contained in this AIS Update, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as "Adherence to 2 Percent Spending Benchmark." Updated Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

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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 financial information for FY 2016, FY 2017 and FY 2018.

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

		FY 2017		FY 2018	
	FY 2016 Results[1]	Mid-Year Estimate	Current Estimate	Before Changes[2]	Executive Amended
State Operating Funds Disbursements					
Size of Budget	$94,288	$96,156	$96,200	$100,923	$98,062
Annual Growth	2.0%	2.0%	2.0%	4.9%	1.9%
Other Disbursement Measures					
General Fund (Excluding Transfers)	$56,666	$59,205	$58,570	$63,305	$61,293
Annual Growth	4.4%	4.5%	3.4%	8.1%	4.6%
General Fund (Including Transfers)[3]	$68,042	$70,320	$69,692	$74,909	$72,398
Annual Growth	8.3%	3.3%	2.4%	7.5%	3.9%
State Funds (Including Capital)	$101,232	$105,767	$105,306	$112,635	$110,200
Annual Growth	3.1%	4.5%	4.0%	7.0%	4.6%
Capital Budget (Federal and State)	$8,981	$11,410	$10,903	$13,419	$13,845
Annual Growth	19.0%	27.0%	21.4%	23.1%	27.0%
Federal Operating Aid[4]	$40,601	$40,158	$40,178	$40,621	$40,458
Annual Growth	5.0%	-1.1%	-1.0%	1.1%	0.7%
All Funds[4]	$143,870	$147,724	$147,281	$154,963	$152,365
Annual Growth	3.8%	2.7%	2.4%	5.2%	3.5%
Capital Budget (Including "Off-Budget" Capital[5])	$9,549	$12,213	$11,615	$14,227	$14,602
Annual Growth	15.2%	27.9%	21.6%	22.5%	25.7%
All Funds (Including "Off-Budget" Capital[4,5])	$144,438	$148,527	$147,993	$155,771	$153,122
Annual Growth	3.6%	2.8%	2.5%	5.3%	3.5%
Inflation (CPI)	0.4%	1.5%	1.7%	2.2%	2.6%
All Funds Receipts					
Taxes	$74,673	$75,763	$74,973	$79,100	$79,534
Annual Growth	5.1%	1.5%	0.4%	5.5%	6.1%
Miscellaneous Receipts	$27,268	$25,033	$26,175	$26,097	$26,611
Annual Growth	-7.4%	-8.2%	-4.0%	-0.3%	1.7%
Federal Grants[4]	$44,486	$44,197	$44,001	$44,567	$44,370
Annual Growth	2.5%	-0.6%	-1.1%	1.3%	0.8%
Total Receipts[4]	$146,427	$144,993	$145,149	$149,764	$150,515
Annual Growth	1.8%	-1.0%	-0.9%	3.2%	3.7%
General Fund Cash Balance	$8,934	$6,884	$7,232	$5,532	$5,917
Tax Stabilization/Rainy Day Reserve	$1,798	$1,798	$1,798	$1,798	$1,948
Monetary Settlements	$6,300	$4,422	$4,860	$3,070	$3,256
All Other Reserves/Fund Balances	$836	$664	$574	$664	$713
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,862	118,646	118,809	118,646	118,673
Debt					
Debt Service as % All Funds Receipts	4.0%	3.8%	4.0%	4.3%	3.9%
State-Related Debt Outstanding	$52,105	$51,754	$50,759	$55,032	$53,468
Debt Outstanding as % Personal Income	4.5%	4.3%	4.2%	4.3%	4.2%

1 Results as reported in the State Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting, released July 2016.

2 As reported in the FY 2017 Mid-Year Update. Before Executive proposals to balance the FY 2018 Budget.

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

4 All Funds and Federal Operating Funds receipts and disbursements exclude: (a) Federal disaster aid for Superstorm Sandy, and (b) additional Federal aid associated with Federal health care reform.

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

Overview of the Updated Financial Plan

Summary

The Governor submitted his FY 2018 Executive Budget proposal on January 17, 2017, and amendments through February 16, 2017 (the "Executive Budget"), as permitted by law. On February 23, 2017, DOB issued the Updated Financial Plan, extracts and summaries of which are set forth herein. The Updated Financial Plan includes updated estimates for the current fiscal year (FY 2017), and projections for FY 2018 through FY 2020, and initial projections for FY 2021, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended.

The projections for FY 2018 through FY 2021 assume the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2018, which begins on April 1, 2017. The Governor's proposal is awaiting action by the Legislature. There can be no assurance the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance the fiscal impact of the FY 2018 budget, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan that are included in this AIS Update.

FY 2017

- DOB projects that the State's General Fund will remain in balance in FY 2017, with lower estimated tax receipts being offset by lower disbursements in every Financial Plan category.

- State Operating Funds spending is expected to total $96.2 billion, an increase of 2 percent from FY 2016 results. If estimates hold, it would mark the fifth consecutive year in which spending has grown by 2 percent or less.

- Outstanding State-related debt is expected to total $50.8 billion on March 31, 2017. State-related debt has declined for five consecutive years, and the State related debt as a percentage of personal income has fallen from 5.9 percent in FY 2011 to an estimated 4.2 percent at the end of FY 2017.

- The State is expected to close the year with a General Fund cash balance of $7.2 billion, consisting of $4.8 billion in monetary settlements and $2.4 billion in other reserves.

FY 2018

- The FY 2018 Executive Budget is proposed in an uncertain fiscal environment. Tax receipts during FY 2017 have been weaker than expected, with DOB revising its estimates downward in each quarterly update to the financial plan. At the Federal level, the new presidential administration and Congress may choose to reduce Federal funding to the states in health care, social services, and infrastructure, with potentially adverse consequences for State finances.

- The Executive Budget holds annual spending growth in State Operating Funds to less than 2 percent, consistent with the fiscal benchmark adopted by the current administration, and is balanced on a cash basis in the General Fund, as required by law.[2]

- Medicaid and School Aid are recommended to grow in line with their statutory indexes,[3] spending for agency operations is expected to be held flat, and a plan is proposed that would use the $1.8 billion in new monetary settlements to fund capital projects and other time-limited costs, as well as a $150 million deposit to the rainy day reserves, if fiscal conditions permit.

- The tax reforms enacted in recent years are continued, reducing the burden on middle-class taxpayers.

- To plan for a wide range of budgetary uncertainties, the Executive Budget includes contingency language authorizing the State Budget Director to reduce certain local assistance payments in the event that State receipts, including Federal aid, fall short of planned levels.

- The Executive Budget proposes a $150 million increase to general reserves (consisting of the State's rainy day reserves, the contingency reserve and the fund balance reserved for debt management), bringing total general reserves to $2.5 billion at the end of FY 2018.

Other Notable Developments

Labor Relations

Since enactment of the FY 2017 Budget, the State finalized labor agreements with the New York State Public Employees Federation (PEF) for FY 2016 and the New York State Police Investigators Association (NYSPIA) in the Division of State Police for the period of FY 2012 through FY 2018 that provide salary increases for PEF-represented employees in FY 2016 and for NYSPIA-represented employees in FYs 2015 - 2018.

The State and PEF also reached a separate agreement on a three-year labor contract that provides for a 2 percent annual increase in general salary for FY 2017, FY 2018, and FY 2019. The legislation to implement the agreement has been enacted, along with a comparable increase for Management/Confidential (M/C) employees also included with this legislation. DOB estimates annual salary increases will add costs of roughly $90 million in the first year (FY 2017), $180 million in the second year, and $275 million in each year thereafter. The Updated Financial Plan identifies

[2] As described in this AIS Update, the State Operating Funds calculation of spending and growth is affected by proposals that change the accounting of financial activity in the State Operating Funds basis of reporting. The calculation is also affected in any year by the management of payments. See "Significant Budgetary/Accounting Practices", "Annual Spending Growth", “Other Matters Affecting the Financial Plan”, and “State Financial Plan Projections Fiscal Years 2017 Through 2021.”

[3] The index for Medicaid spending subject to the Global Cap is the ten-year moving average of the medical component of the Consumer Price Index (CPI). The index for School Aid is the estimated annual growth in State personal income.

$90 million in the General Fund balance available for potential salary increases in FY 2017, and sets aside another $155 million for potential retroactive salary increases.

The State has also reached tentative agreements with the union representing the State University of New York (SUNY) Graduate Assistants that includes the same three-year deal as PEF, and with the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) on a five-year agreement that provides for a 2 percent annual increase in general salary for FY 2017 through FY 2021 coupled with compensation increases unique to uniformed officers, that are funded by recurring health insurance and overtime savings. The GSEU membership voted to ratify on March 3, 2017. The NYSCOPBA membership voted not to ratify its tentative agreement on February 27, 2017, and the State will continue negotiations with this union. The State is in active negotiations with its other employee unions whose contracts concluded in FY 2016, including the Civil Service Employees Association (CSEA) and the United University Professions (UUP). The State is negotiating successor agreements with all State employee unions. The current spending estimates for personal service reflect the potential costs of labor agreements with State unions patterned on the labor contract ratified by the PEF membership in December 2016.

In the regular legislative session that ended in June 2016, the Governor and Legislature approved an enhanced pension benefit for public sector veterans that enables eligible members to receive up to three years of extra pension service credit for their active military service, the cost of which DOB estimates will total roughly $400 million over the next five years.

Monetary Settlements

Pursuant to a partial settlement agreement entered into in June 2016 by the New York State Attorney General and other state attorneys general with Volkswagen AG, Audi and Porsche Affiliates (collectively, “Volkswagen”), Volkswagen made a monetary payment to New York State of $32 million to resolve certain claims related to violations of emissions standards and State consumer protection laws as described with more particularity in the partial settlement agreement. In addition, subject to court approval, satisfaction of requirements contained within the United States Department of Justice Partial Consent Decree, and approval of a court-appointed trustee, the State will be eligible to receive up to approximately $117 million for eligible mitigation action expenditures as set forth in the United States Department of Justice Partial Consent Decree, and DOB expects that any such funds received by the State for eligible mitigation action expenditures will be administered outside of the State’s All Governmental Funds budget.

The Updated Financial Plan reflects State receipts from monetary settlements that have occurred since the enactment of the FY 2017 budget. In August 2016, pursuant to a consent order entered into by the State Department of Financial Services (DFS) and Mega International Commercial Bank Co., LTD. and Mega International Commercial Bank Co. LTD. – New York Branch (collectively “Mega Bank”), Mega Bank paid the State $180 million in monetary penalties. This consent order pertains to Mega Bank’s failure to maintain effective complaint and compliance programs, its failure to report the discovery of certain misconduct, and for other violations of New York Banking Law. In November 2016, pursuant to a consent order entered into by DFS and the Agricultural Bank of China Limited and Agricultural Bank of China, New York Branch (collectively “Agricultural Bank of China”), the Agricultural Bank of China paid the State $215 million in civil monetary penalties. This consent order pertains to the Agricultural Bank of China's serious and persistent compliance failures. Pursuant to a November 2016 consent order between DFS and PHH Mortgage Corporation, PHH Mortgage Corporation has paid the State a $28 million fine for violations of Federal and State laws designed to protect homeowners from fraudulent mortgage origination and servicing practices. The Updated Financial Plan also reflects the December 2016 settlements between DFS and Intesa Sanpaola and between the Office of the Attorney General of the State of New York and Deutsche Bank Securities Inc., and the January 2017 settlement between DFS and Deutsche Bank Securities Inc., as a result of which, Deutsche Bank Securities Inc. paid the State a $425 million fine in February 2017.

Resources from new financial settlements that have not been appropriated to date total $1.8 billion. Following the approach used in FY 2016 and FY 2017, the FY 2018 Executive Budget proposes using the new settlements for capital purposes and other time-limited investments. Specific investments include the Buffalo Billion Phase II ($400 million), Transportation ($270 million), Health Care Capital Grants ($200 million), Life Sciences ($300 million), Counter-Terrorism and Emergency Response Preparedness ($203 million), Downtown Revitalization ($100 million), and the Division of Military and Naval Affairs (DMNA) armories ($20 million). In addition, the Executive Budget proposes setting aside $155 million to fund retroactive salary increases that are anticipated to occur in FY 2018 or later, and depositing $150 million of the settlement money into the State's rainy day reserves, if fiscal conditions permit. The proposed set-aside of $155 million to fund retroactive salary increases is in addition to the $90 million in available General Fund balances identified for potential salary increases in FY 2017, as described in the previous section on "Labor Relations".

Master Settlement Agreement (MSA)

In 2018, bonds issued in 2003 that were secured by annual payments under the MSA with tobacco manufacturers will be fully retired. Once that occurs, DOB expects that MSA payments of approximately $125 million in FY 2018 and $400 million annually thereafter will be available for State purposes. The Executive Budget proposes using the MSA payments, outside of the State Operating Funds basis of reporting, to help defray the costs of the State's takeover of Medicaid costs borne by 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 $735 million in FY 2018, growing to $917 million in FY 2019.

Other Actions

The Executive Budget includes legislation that creates a Retiree Health Benefit Trust Fund for the purpose of funding health benefits of retired State employees and their dependents. It also includes legislation that would direct a portion of any future cash-basis surplus to the Debt Reduction Reserve Fund.

FY 2017 Financial Plan Update

DOB projects the General Fund will remain in balance in FY 2017, with reduced tax receipts being offset by lower disbursements in every Financial Plan category. The following table summarizes the changes to General Fund operating estimates set forth in the Mid-Year Update to the Financial Plan ("Mid-Year Update"), contained in the December 2016 AIS Update, to the Executive Budget Financial Plan. The table shows the estimates with and without monetary settlements, disbursements, and cash position.[4]

FY 2017 GENERAL FUND FINANCIAL PLAN
SUMMARY OF CHANGES FROM MID-YEAR
(millions of dollars)

	Mid-Year	Revised	Change
Opening Fund Balance (Excluding Monetary Settlements)	**2,634**	**2,634**	**0**
Receipts	**67,827**	**66,838**	**(989)**
Tax Receipts	63,865	62,969	(896)
Miscellaneous Receipts/Other Non-Tax Revenue	3,962	3,869	(93)
Disbursements	**67,999**	**67,100**	**(899)**
Local Assistance	45,379	44,826	(553)
Agency Operations	13,826	13,744	(82)
Transfers to Other Funds	8,794	8,530	(264)
Net Change in Operations	**(172)**	**(262)**	**(90)**
Closing Fund Balance (Excluding Monetary Settlements)	**2,462**	**2,372**	**(90)**
Monetary Settlements			
Settlements on Hand as of April 1, 2016	6,300	6,300	0
New Settlements Received in FY 2017	608	1,317	709
Transfers/Uses	(2,486)	(2,757)	(271)
Closing Fund Balance (Including Monetary Settlements)	**6,884**	**7,232**	**348**

[4] The sources and uses of monetary settlements are described more fully later in this AIS Update. See Financial Plan tables for General Fund receipts and disbursements including monetary settlements.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total $66.8 billion in FY 2017, a decrease of $989 million from the Mid-Year Update. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $63 billion in FY 2017, a decrease of $896 million from the Mid-Year Update.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $42.7 billion, a decrease of $778 million from the Mid-Year Update. The downward revision is driven by weaker than expected estimated payments and withholding growth.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $12.6 billion, an increase of $5 million, reflecting projected growth in taxable consumption.

General Fund business tax receipts are estimated at $5.6 billion, a decrease of $204 million from the Mid-Year Update. This estimate reflects decreased corporate franchise tax receipts stemming from weaker receipts from calendar year filers.

Other tax receipts in the General Fund are expected to total $2.1 billion, an increase of $81 million from the Mid-Year Update estimate. This primarily reflects higher estate tax collections.

General Fund non-tax receipts and transfers are estimated at $3.9 billion, a decrease of $93 million from the Mid-Year Update. The decrease is primarily due to a downward revision to abandoned property receipts. New SEC regulations, which accelerate customer contact requirements for dormant accounts, have caused fewer dormant securities to be remitted to the State.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see “State Financial Plan Projections Fiscal Years 2017 Through 2021” herein.

General Fund Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total $67.1 billion in FY 2017, a decrease of $899 million from the Mid-Year Update. Based on a review of operating results through the first half of FY 2017 and updated data on State programs and activities, DOB has lowered its spending estimates in several areas, including mental hygiene, social services, preschool special education, higher education, and public safety. General Fund disbursements in the current year are also being reduced across Financial Plan categories, reflecting the refinement of estimates included in the Financial Plan.

Local assistance grants are expected to total $44.8 billion in FY 2017, a decrease of $553 million from the Mid-Year Update. Local assistance spending has been revised downward across a range of programs based on operating results for the first nine months of the fiscal year and other information.

Disbursements for agency operations, including fringe benefits and fixed costs, are expected to total $13.7 billion, a decrease of $82 million from the Mid-Year Update. Most Executive agencies are expected to hold spending at FY 2016 levels.

General Fund transfers to other funds are estimated to total $8.5 billion, a decrease of $264 million from the Mid-Year Update estimate. Transfers to capital projects funds have been lowered to reflect the timing of reimbursements from bond proceeds. Transfers for debt service have been increased to reflect the payment in FY 2017 of debt service due in FY 2018.

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 "Financial Plan Projections Fiscal Years 2017 through 2021" herein.

FY 2017 Closing Balance

Excluding monetary settlements, the State expects to end FY 2017 with a General Fund closing balance of $2.4 billion. The estimated closing balance is $90 million lower than the Mid-Year Update, and reflects the use of the remaining cash balance informally set aside for new labor contracts to fund the first year of the new PEF contract.

The General Fund closing balance attributable to monetary settlements is expected to total $4.9 billion, an increase of $438 million from the Mid-Year Update. The increase is due to new settlements received since the Mid-Year Update, offset by higher than expected transfers to other funds. DOB intends to make transfers of monetary settlements on an as-needed basis over the next five years as spending occurs. Legislation included with the FY 2017 Enacted Budget provides transfer authority from the General Fund to the Dedicated Infrastructure Investment Fund (DIIF) for five years.

Risks to the current estimates remain. For example, while tax receipt estimates have been lowered, collections are subject to significant volatility in the final quarter of the fiscal year. In addition, there can be no assurance that Federal aid for health care, mental hygiene and other purposes will be received at the levels or on the timetable assumed in the Updated Financial Plan. These and other risks and uncertainties are described more fully later in this AIS Update. (See "Other Matters Affecting the Financial Plan" herein.)

FY 2018 Financial Plan

DOB estimates that the Executive Budget Financial Plan, if enacted as proposed, would provide for balanced operations in the General Fund in FY 2018, consistent with balanced budget requirements. The following table summarizes the projected annual change from FY 2017 to FY 2018 in General Fund receipts, disbursements, and fund balances, with and without the impact of monetary settlements.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Annual Change Dollar	Annual Change Percent
Opening Fund Balance (Excluding Monetary Settlements)	2,634	2,372	(262)	-9.9%
Total Receipts	66,838	71,083	4,245	6.4%
Taxes	62,969	67,861	4,892	7.8%
Miscellaneous Receipts/Federal Grants	2,647	2,298	(349)	-13.2%
Other Transfers	1,222	924	(298)	-24.4%
Total Disbursements	67,100	71,099	3,999	6.0%
Local Assistance Grants	44,826	47,247	2,421	5.4%
Agency Operations	13,744	14,046	302	2.2%
Transfers to Other Funds	8,530	9,806	1,276	15.0%
Deposit to Reserves [1]	0	305	305	0.0%
Net Change in Operations	(262)	289	551	210.3%
Closing Fund Balance (Excluding Monetary Settlements)	2,372	2,661	289	12.2%
Monetary Settlements				
Settlements on Hand as of April 1	6,300	4,860	(1,440)	-22.9%
New Settlements Received in FY 2017	1,317	0	(1,317)	-100.0%
Transfers/Uses [1]	(2,757)	(1,604)	1,153	41.8%
Closing Fund Balance (Including Monetary Settlements)	7,232	5,917	(1,315)	-18.2%

[1] FY 2018 uses of monetary settlements includes the transfer of $305 million ($150 million to the Rainy Day Fund and $155 million for a reserve for potential retroactive salary increases) within the General Fund.

As shown in the table above, the State expects to end FY 2018 with a General Fund cash balance of $5.9 billion, a decrease of $1.3 billion from expected FY 2017 results. The decline is due almost entirely to the change in monetary settlements on hand. DOB intends to make transfers of monetary settlements on an as-needed basis over the next five years as spending occurs from appropriations funded with the settlements. Legislation approved in the FY 2017 Enacted Budget provides transfer authority from the General Fund to the DIIF for five years.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total $71.1 billion in FY 2018, an increase of $4.2 billion (6.4 percent) from FY 2017 estimates. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $67.9 billion in FY 2018, an increase of $4.9 billion (7.8 percent) from FY 2017 estimates.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $46.4 billion, an increase of $3.7 billion (8.8 percent) from FY 2017. This primarily reflects growth in withholding and estimated payments attributable to the net effect of the first year of middle income tax cuts enacted with the FY 2017 Budget and the proposed extension of the top rate for high-income earners; and a decline in STAR Fund deposits associated with legislation included in the Executive Budget.

General Fund consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total $13.5 billion in FY 2018, an increase of $856 million (6.8 percent) from FY 2017, which reflects projected growth in employment and taxable consumption.

General Fund business tax receipts are estimated at $6 billion in FY 2018, an increase of $384 million (6.9 percent) from FY 2017. The estimate reflects increases in corporation franchise tax receipts stemming from improved corporate profits and the insurance tax from growth in taxable premiums. These increases are partially offset by decreases in the corporation and utilities tax and the bank tax.

Other tax receipts in the General Fund, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total $2 billion in FY 2018, a decrease of $89 million (-4.3 percent) from FY 2017. This decrease is driven by the continued phase-in of estate tax cuts, which is partly offset by increases in household net worth, and home price appreciation which is driving real estate transfer tax increases.

General Fund non-tax receipts and transfers are estimated at $3.2 billion in FY 2018, a decrease of $647 million (-16.7 percent) from FY 2017. The decrease is primarily due to the loss of $250 million in SIF reserves released in FY 2017, coupled with a decline in available resources in other funds.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2017 Through 2021" herein.

Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total $70.8 billion in FY 2018, an increase of $3.7 billion (5.5 percent) from FY 2017.

Local assistance grants are expected to total $47.2 billion in FY 2018, an annual increase of $2.4 billion (5.4 percent) from FY 2017. The increase includes $1.1 billion for School Aid (on a State fiscal year basis) and $920 million for Medicaid and the EP. Other annual changes reflect anticipated growth in payments for social services, higher education, and other programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories and across fund types.

Disbursements for agency operations, including fringe benefits and fixed costs, in the General Fund are expected to total $14.0 billion in FY 2018, an increase from FY 2017 of $302 million (2.2 percent). Personal and non-personal service costs are expected to total $8.3 billion, an increase of $52 million (0.6 percent) from the current year. Most executive agencies are expected to hold operations spending at FY 2017 levels. The current spending estimates for personal service reflect the potential costs of labor agreements with State unions patterned on the labor contract ratified by the PEF membership in December 2016. The Updated Financial Plan assumes that State agencies will reduce spending by $500 million through cost-control measures.[5] Agency spending in the General Fund is affected by the reclassification to capital projects funds of certain personnel expenses related to the maintenance and preservation of State assets. In addition, operating costs for many agencies are charged to several funds, and are affected by offsets and accounting reclassifications.

Disbursements for General State Charges, which account for fringe benefits and certain fixed costs, are expected to total $5.7 billion in FY 2018, an increase of $250 million (4.6 percent) over the current year. Health insurance costs for State employees and retirees are expected to increase by 8 percent, mainly due to increases in premiums. The State's annual pension payment is expected to increase by 3.4 percent. The State’s gross costs for Workers’ Compensation increased by 17.4 percent, which is impacted in part by the use of available balances from the State Insurance Fund (SIF) in FY 2017 and FY 2018.

General Fund transfers to other funds are estimated to total $9.5 billion in FY 2018, an increase of $971 million from FY 2017. Transfers for capital projects (excluding transfers funded with monetary settlements) increase by $1.4 billion, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF. Debt service transfers increase by $19 million, mainly due to year-to-year differences in the amount of debt service paid in one fiscal year but due in the following fiscal year.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see “State Financial Plan Projections Fiscal Years 2017 through 2021” herein.

[5] See “FY 2018 Detailed Gap-Closing Plan” herein.

Closing Balance for FY 2018

DOB projects that the State will end FY 2018 with a General Fund cash balance of $5.9 billion, a decrease of $1.3 billion from FY 2017. The General Fund cash balance excluding settlements is estimated at $2.7 billion, or $289 million higher than FY 2017. The change reflects the planned deposit, if fiscal conditions permit, to the Rainy Day Reserve Fund ($150 million) and setting aside funds for potential retroactive salary increases ($155 million), partly offset by the planned use of resources in the Community Projects Fund ($16 million).

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve Fund and the Rainy Day Reserve Fund, are expected to increase in FY 2018 after a planned deposit, if fiscal conditions permit, of $150 million from monetary settlements.

The Executive Budget Financial Plan maintains a reserve of $500 million for debt management purposes in FY 2018, unchanged from the level held at the end of FY 2017. DOB will decide on the use of these funds based on market conditions, financial needs, and other factors.

The balance from monetary settlements at the close of FY 2018 is expected to total $3.2 billion, a decrease of $1.6 billion from FY 2017. The decrease reflects the expected disbursements and uses for initiatives funded with settlements. (See "Uses of Monetary Settlements" herein.)

TOTAL BALANCES
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Annual Change
TOTAL GENERAL FUND BALANCE	**7,232**	**5,917**	**(1,315)**
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,948	150
Community Projects	53	37	(16)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	0	155	155
Monetary Settlements	4,860	3,256	(1,604)
Programmed*	3,062	3,256	194
Unbudgeted*	1,798	0	(1,798)

*Between March 2016 and February 2017, the State received $1.8 billion in monetary settlements. In FY 2017, these settlements were left "unbudgeted," (i.e., no specific appropriations were adopted that would be funded from the new settlements). The FY 2018 Executive Budget Financial Plan proposes a series of specific appropriations that would be funded (i.e., "programmed") with the settlements.

FY 2018 Detailed Gap-Closing Plan

The following table and narrative summarize the proposed gap-closing plan. To the extent the State enacts budgets that adhere to the 2 percent spending growth benchmark, the level of savings required in each subsequent year to hold spending growth to 2 percent would be lower. As shown in the following table, the Executive Budget Financial Plan, as proposed to the Legislature, is projected to require additional gap-closing measures in FYs 2019, 2020 and 2021 in order to adhere to the 2 percent spending growth benchmark for each of those fiscal years and eliminate General Fund gaps in each of those fiscal years. Such gap-closing measures may include, but are not limited to, reduced appropriations, as well as changes in law regarding the requirements of various State programs, the conversion of disbursements into tax expenditures or changes regarding the timing of certain payments.

FY 2018 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)	FY 2018	FY 2019	FY 2020	FY 2021
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(3,533)**	**(7,122)**	**(8,935)**	**(6,816)**
SPENDING CHANGES	**2,705**	**2,475**	**2,430**	**2,324**
Agency Operations	**624**	**218**	**161**	**11**
Executive Agency Operations	209	233	241	183
Agency Financial Management Plans	500	500	500	500
NYPA Repayment	193	(21)	(43)	(43)
Fringe Benefits/Fixed Costs	262	153	159	175
Elected Officials Budget Request	(44)	(44)	(43)	(101)
Potential Labor Agreements	(496)	(603)	(653)	(703)
Local Assistance	**1,623**	**2,243**	**2,577**	**2,718**
Health Care	596	872	873	774
Education	271	614	890	1,075
Higher Education	103	63	63	63
Human Services/Housing	135	114	111	114
Mental Hygiene	68	58	55	55
STAR - Program Conversion[2]	277	352	367	382
STAR - Other Actions	94	122	167	209
All Other	79	48	51	46
Capital Projects/Debt Management	**580**	**391**	**316**	**331**
Initiatives/Investments	**(122)**	**(377)**	**(624)**	**(736)**
Excelsior Scholarship	(71)	(133)	(152)	(163)
Debt Service Cost for Capital Adds	(25)	(113)	(211)	(301)
DREAM Act	(19)	(27)	(27)	(27)
Juvenile Justice Reform ("Raise the Age")	0	(97)	(205)	(194)
Indigent Legal Services	0	0	(23)	(47)
All Other	(7)	(7)	(6)	(4)
RESOURCE CHANGES	**(2)**	**(826)**	**(976)**	**(1,633)**
Tax Revisions	(415)	(475)	(679)	(1,039)
STAR Conversion[2]	0	(340)	(354)	(369)
Miscellaneous Receipts/Transfers	413	(11)	57	(225)
TAX ACTIONS	**830**	**3,700**	**4,820**	**4,344**
PIT - Top Rate Extension	683	3,375	4,505	4,029
Other Tax Extenders	42	129	104	104
Online Marketplace	64	128	128	128
Transportation Network Companies	12	23	23	23
Other Tax Actions	29	45	60	60
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE (Before)[1]	**0**	**(1,773)**	**(2,661)**	**(1,781)**
ADHERENCE TO 2% SPENDING BENCHMARK (After)[3]	**n/a**	**2,465**	**4,753**	**6,741**
EXECUTIVE BUDGET SURPLUS/(GAP)	**0**	**692**	**2,092**	**4,960**

1 Before actions to adhere to the 2 percent benchmark.

2 The FY 2018 Executive Budget proposes converting the NYC PIT credit to a nonrefundable State PIT credit. This change has no impact on the 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 2017 through 2021" herein.

3 Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate 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 gaps would be higher.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). Reductions from current-services projections for agency operations contribute $624 million to the General Fund gap-closing plan for FY 2018. Specifically:

- **Executive Agencies:** The Executive Budget proposes to hold agency spending flat with limited exceptions, such as DOH costs attributable to the NYSOH marketplace and the EP program. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including the utilization of Lean initiatives to streamline operations and management. The Executive Budget also includes savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings. In addition, approximately 3,000 Full-Time Equivalent (FTE) positions whose titles are associated with the maintenance, preservation, protection and/or operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) are expected to now be funded entirely with cash transfers to the Capital Projects Fund (such cash transfers do not count as spending on a State Operating Funds basis of reporting. This realignment has no net impact on General Fund operations as it continues to be the funding source for these expenses, but reduces disbursements on a State Operating Funds basis of reporting as the expenses would be reported in Capital Projects Funds.

  Spending increases in the later years of the Updated Financial Plan are driven mainly by revised spending assumptions across multiple agencies to account for inflationary cost increases, an additional administrative payroll in FY 2021, and higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires.

- **Agency Financial Management Plans:** All Executive agencies will be required to implement cost-control measures on a recurring basis, starting in FY 2018. The Executive Budget Financial Plan includes $500 million in annual savings that is expected to be allocated to agencies at a future date as agency management plans are completed. Agency plans must preserve funding for mission critical efforts and strategic initiatives with agencies identifying cost efficiencies and reducing State Operating Funds spending in FY 2018.

- **New York Power Authority (NYPA) Repayment Agreement:** The State and NYPA expect to modify the annual payment schedule to NYPA by extending the terms through 2023, resulting in $193 million in expected savings in FY 2018.

- **Fringe Benefits/Fixed Costs:** Pension estimates reflect the planned payment of the full FY 2018 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2017, rather than on a monthly basis. Health insurance savings are expected from the proposed elimination of the Income-Related Monthly Adjustment Amount (IRMAA) reimbursement for high income New York State Health Insurance Program (NYSHIP) enrollees, maintaining reimbursement of the standard Medicare Part B premium at December 2016 levels, and implementing differential healthcare premiums based on years of service for new civilian retirees with less than thirty years of service, similar to the calculation for pension benefits. Costs would be proportionately greater for new retirees with ten years of service, and gradually decrease until they are no different from current levels once an individual reaches 30 years of service.

The Updated Financial Plan also reflects the continued use of resources available in the SIF to offset the cost of Workers' Compensation claims. These resources are expected to reduce spending, on a State Operating Funds basis of reporting, by $210 million in FY 2017 and $205 million in FY 2018. In addition, the Executive Budget also proposes reforming the interest charged on judgments against the State from 9 percent to a fair-market interest rate. The existing rate is out of line with any reasonable interest rate benchmark, and the recommended rate is based on what is used in Federal courts.

- **Judiciary:** The Executive Budget reflects the Judiciary's request to increase operating support, including the addition of 200 non-judicial positions in support of trial court operations and temporary service funding for acting city, town and village justices.

- **Legislature:** The Executive Budget reflects the Legislature's request to increase operating costs by 3 percent, including increased personal service costs and equipment.

- **Potential Labor Agreements (Executive Agencies):** The New York State PEF ratified a three-year labor contract, and the Legislature approved legislation to implement the agreement, which provides for a 2 percent annual increase in general salary for FY 2017, FY 2018, and FY 2019. The Governor has signed legislation to implement the agreement, including a comparable increase for Management/Confidential (M/C) employees also included with this legislation. DOB estimates annual salary increases will add costs of roughly $90 million in the first year, $180 million in the second year, and $275 million in each year thereafter. The Updated Financial Plan identifies $90 million in the General Fund balance available for potential salary increases in FY 2017, and sets aside another $155 million for potential retroactive salary increases.

  The State has also reached tentative agreements with the union representing the State University of New York (SUNY) Graduate Assistants that includes the same three-year deal as PEF, and with the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) on a five-year agreement that provides for a 2 percent annual increase in general salary for FY 2017 through FY 2021 coupled with compensation increases unique to uniformed officers, that are to be funded by recurring health insurance and overtime savings. The GSEU membership voted to ratify on March 3, 2017. The NYSCOPBA membership voted not to ratify its tentative agreement on February 27, 2017, and the State will continue negotiations with this union. The State is in active negotiations with its other employee unions whose contracts concluded in FY 2016, including the Civil Service Employees Association (CSEA) and the United University Professions (UUP).

For planning purposes, the Updated Financial Plan includes an estimate of Executive agency costs assuming the PEF contract terms were applied to all unions. DOB estimates it would result in General Fund costs of roughly $200 million in the first year of the contract, $385 million in the second year, and $600 million in the third year and each year thereafter. These estimated costs include the cost of the tentative PEF and M/C agreements discussed above. At this time, DOB expects that any payments associated with future settlement agreements would likely commence in FY 2018, and has adjusted the Updated Financial Plan accordingly, with first-year contract costs for other unions occurring in FY 2018. The following table summarizes the costs of potential labor agreements, for Executive agencies, included in the Updated Financial Plan.

GENERAL FUND
POSSIBLE COSTS OF LABOR AGREEMENTS FOR EXECUTIVE AGENCIES
(millions of dollars)

	PEF/MC	Other*	Cost
Year 1	90	0	90
Year 2	180	316	496
Year 3	275	328	603
Total	545	644	1,189

* Assumes the PEF contract is extended to other unions.

In February 2017, Deutsche Bank paid the State a $425 million fine. The Financial Plan proposes reserving $155 million of the fine to fund the potential first-year costs of potential labor agreements with employees patterned on the PEF contract. This is in addition to the $90 million in cash on hand in the General Fund that is expected to be used to fund the PEF and M/C agreements in FY 2017. The combined total is expected to be sufficient to cover the first year costs of all agencies.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate $1.6 billion in General Fund savings.[6] Savings are expected from both targeted actions and continuation of prior-year cost containment. Specifically:

- **Health Care:** The Medicaid Budget will include an additional $382 million for non-DOH Medicaid expenses within the Global Cap. To achieve savings within the Global Cap, DOH will continue to implement various Medicaid Redesign Team (MRT) actions to improve the

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

efficiency and effectiveness in delivery of the statewide Medicaid program, including proposals to collaborate with New York City to increase Medicaid claiming levels for school supportive health services; the establishment of a benchmark price for high cost pharmaceuticals; and an increase to the costs shared by certain beneficiaries within the EP program, whereby such individuals would be required to contribute a monthly premium indexed to grow annually to the rate of the medical component of the CPI.

In FY 2018, bonds issued in 2003 that were secured by annual payments under the MSA with tobacco manufacturers will be fully retired. DOB expects that MSA payments of approximately $125 million in FY 2018, and $400 million annually thereafter, will be available for State purposes. The Executive Budget Financial Plan reflects the proposed use of the payments, outside the State Operating Funds basis of reporting, to defray a portion of the costs of the State's takeover of Medicaid costs borne by 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 $735 million in FY 2018, growing to $917 million in FY 2019. The use of the MSA payments to fund a portion of these costs will have no impact on total funding for the Medicaid program, but will reduce reported Medicaid spending on a State Operating Funds basis of reporting.

Other health care savings include initiatives to consolidate similar public health programs into four discrete pools, providing increased flexibility to support ongoing public health programs or new investments to meet new or emerging public health priorities ($25 million annually); require third-party insurers to pay for Early Intervention (EI) to help expedite the timeliness and amount of provider payments, while decreasing State costs ($4 million in FY 2018, and $14 million annually beginning in FY 2019); and reduce the General Public Health Work (GPHW) Reimbursement to NYC (from 36 percent to 29 percent) ($11 million in FY 2018, and $22 million beginning in FY 2019). The availability of additional Federal funds for the NYSOH Qualified Health Plan (QHP) will offset State costs by $17 million in FY 2018.

The Financial Plan also includes an upward revision of $90 million to estimated HCRA resources including additional surcharge revenue based on receipts collections to date, and additional covered lives revenue. It also includes a three-year extension of funding for the Statewide Health Information Network for New York (SHIN-NY)/All-Payer Claims Databases (APCD) infrastructure development initiative.

- **Education:** A lower-than-projected Personal Income Growth Index (PIGI) results in reduced School Aid spending growth based upon the School Aid formula. The actual SY 2018 PIGI will be 3.9 percent, compared to the previously estimated 4.5 percent, generating multi-year savings. In addition, updates to the School Aid database indicate a decline in SY 2017 aid compared with FY 2017 Enacted Budget estimates. Similarly, spending related to special education programs and grant-based awards for School Aid is occurring more slowly than anticipated.

- **Higher Education:** The expected sale of certain CUNY capital assets will result in available resources to partially support CUNY operations.

- **Human Services:** Savings reflect the use of Federal Title XX funding sources to reduce General Fund spending for the Office of Children and Family Services (OCFS) Child Care subsidies. They also reflect savings generated by restructuring the financing approach for foster care tuition and residential school placements of children with special needs in New York City, and reducing the State's Foster Care Block Grant reimbursement to an estimated 50 percent share of net Federal Funding. Funding has also been added for increased public assistance costs, which include providing safety net benefits for immigrants with Temporary Protected Status, pursuant to litigation filed against the State. Such status is granted to noncitizens residing in the United States whose home countries have experienced natural disasters or are involved in armed conflict.

- **Mental Hygiene:** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the Balancing Incentive Program (BIP). The Office for People with Developmental Disabilities (OPWDD) will maximize Federal reimbursement by aligning services such as Family Support Services to meet Medicaid eligibility and only provide supplemental support for other Medicaid-eligible programs.

- **STAR:** The Executive Budget proposes a conversion of the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers, which due to the timing of its implementation, results in short-term savings to the Updated Financial Plan ($277 million in FY 2018; $12 million in each of FYs 2019 and 2020). This change has no effect on the value of the STAR benefit, but eliminates the need for New York City to make payments in the first instance and to be reimbursed by the State. In addition, the Budget proposes freezing the exemption benefit, rather than allowing it to increase by up to 2 percent. Other savings include mandating enrollment in the Income Verification Program beginning in FY 2018.

- **All Other:** Savings are expected as a result of updated program and grant spending across a number of areas, including the elimination of the planned FY 2018 0.8 percent human services cost-of-living increase; utilization of available Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs; and spending revisions based on utilization trends in other local assistance programs.

Capital Projects/Debt Management

- The Executive Budget provides a consistent approach for funding the costs of employees who maintain and preserve State assets in the capital budget. Agencies have been accounting for these costs differently for years, with some capturing the expenses in their capital budget, while others reflect them in their operating budgets. Beginning in FY 2018, approximately 3,000 FTEs whose job duties are related to the maintenance, protection, preservation, and operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) are expected to be paid from capital projects funds. Accordingly, the Executive Budget Financial Plan reflects an increase of $227 million in personal service and related costs in the FY 2018 capital budget, and a corresponding decrease in State Operating Funds spending.

- FY 2018 debt service savings reflect the payment of $280 million of FY 2018 expenses in FY 2017, as well as expected refundings, continued use of competitive bond sales, and other debt management actions.

Initiatives/Investments/New Costs

- **Excelsior Scholarship:** The proposed scholarship program will allow students of families making up to $125,000 per year to attend college tuition-free at all public universities in New York State.

- **Juvenile Justice Reform ("Raise the Age"):** The Executive Budget includes legislation to raise the age of juvenile jurisdiction from age 16 to 18 by January 1, 2020. Pursuant to Executive Order 150, issued in December 2015, all 16 and 17 year old non-violent criminal offenders held by the State were moved from general prison populations to the Hudson Correctional Facility. This facility, under a plan implemented by the Department of Corrections and Community Supervision (DOCCS), OCFS, and the Office of Mental Health (OMH), provides specialized programs of treatment geared for younger offenders.

- **Indigent Legal Services:** The Governor is expected to introduce a plan to reform the State's indigent criminal defense system in early 2017.

- **DREAM Act:** The proposed DREAM Act extends student financial assistance to certain eligible undocumented immigrant students pursuing higher education in New York.

  All Other: The Executive Budget includes additional gaming aid for Madison County,[7] as well as additional funding to support Taste NY; the Hudson River Lesbian, Gay, Bisexual and Transgender (LGBT) Memorial; water quality aid for the City of Newburgh; and debt service costs for new bond-financed capital initiatives. In addition, funding has been added to provide for faster processing of sexual offense evidence kits[8] submitted by New York State law enforcement agencies to the State Police's forensic lab. The Executive Budget Financial Plan also includes funding to support a new Cyber Incident Response Team to provide cybersecurity support to State entities, local governments, infrastructure, and schools.

[7] When the State, the Oneida Nation, and affected counties signed the 2013 agreement establishing local government gaming host aid, the Oneida Nation casino that opened in Madison County in 2015 was not envisioned and thus Madison County will now receive a redistribution of gaming aid.

[8] Sexual Offense Evidence Kit Bill (Chapter 500 of the Laws of 2016) was signed by the Governor on November 28, 2016.

Resource Changes

- **Tax Revisions:** The multi-year tax receipts forecast reflects downward revisions based on recent collection experience and an updated economic forecast.

- **NYC STAR PIT Rate Reduction Benefit Conversion:** The proposal to convert the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers with incomes below $500,000 will not affect STAR benefits, but will result in lower General Fund tax collections. This action is consistent with the conversion of the NYC STAR PIT credit to a State credit in the FY 2017 Enacted Budget.

- **Public Safety Communications Surcharge:** The Public Safety Communications Surcharge is expanded to prepaid purchases of mobile communication services, with purchases at or below $30 subject to a 60 cent surcharge and those above $30 subject to a $1.20 surcharge. The surcharge would be imposed at the point of purchase for a prepaid device or data. Currently, mobile plan subscribers pay $1.20 per month, while purchasers of prepaid mobile services pay no surcharge. Local governments that currently impose the surcharge on mobile plan contracts can also opt in for a 30 cent surcharge on prepaid retail mobile devices and data. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Operations Grant Awards (SICG) program.

- **Other Resource Changes:** Other changes include (i) updated estimates of various miscellaneous receipts and transfers from other funds, (ii) reimbursement for Mental Hygiene services in excess of debt service spending, and (iii) other reductions reflecting the refinement of cautious estimates included in the Updated Financial Plan to create an informal reserve against risks. In addition, the Executive Budget proposes increasing fees for a new automobile title from $50 to $75, and for a duplicate title from $20 to $40 (to adjust for inflation); and the establishment of a special license to sell craft beverages along with food and souvenir items at certain Taste-NY stores.

Tax Actions

- **Extend the PIT Top Bracket:** The Executive Budget proposes a three-year extension, through calendar year 2020, to the current income tax rate for high-income earners. The current top-bracket rate has been in place since January 1, 2012, when the top-bracket rate was reduced from 8.97 percent to 8.82 percent.

- **High Income Charitable Contribution Deduction:** The Executive Budget makes permanent the existing charitable contribution deduction limitation of 25 percent, which is currently scheduled to expire at the end of tax year 2017.

- **Child and Dependent Care Credit:** The Executive Budget increases benefits under the New York State Child and Dependent Care Credit. This credit provides households who qualify for the Federal Child and Dependent Care Credit the ability to claim a percentage of the Federal credit on their State income taxes. The Executive Budget proposes to increase the percentage of the Federal credit for tax filers with New York Adjusted Growth Income (AGI) between $50,000 and $150,000, resulting in an increase in the benefit by an average of 123 percent.

- **Online Sales Tax Collection:** Online providers such as Amazon and eBay supply a marketplace for sellers other than the online provider to sell their products to consumers. Currently, such outside sellers are required to collect sales tax from New York residents if the sellers are located in New York. Many marketplace providers agree to collect the tax for the outside seller in this instance. The Executive Budget proposes that a marketplace provider be required to collect the tax when it facilitates the sale to State residents, whether the seller is located within, or outside, New York.

- **Warrantless Wage Garnishment:** The Executive Budget proposes to make permanent the authorization for Department of Taxation and Finance (DTF) to garnish wages of delinquent taxpayers without filing a warrant with the Department of State (DOS) or County Clerks. The current program, set to expire on April 1, 2017, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF.

- **Taxation of Cigars:** The Executive Budget proposes to replace the current distributor level percentage tax on large cigars with a 45 cent per cigar flat tax. The current tax structure, which is the result of litigation, has resulted in revenue losses and relies on an industry pricing survey to determine the tax on a product produced by the same industry.

- **Other Actions:** The Executive Budget includes proposals for other tax credits/extensions, enforcement initiatives and tax code reforms. These include the extension of the Empire State Film and Post-Production Tax Credits for three years; renaming the Urban Youth Jobs Program to the New York Youth Jobs Program and extending the tax credit for five years to 2022; precluding State agencies and authorities from hiring new employees who are delinquent in their State tax obligations; preventing the evasion of the State's real estate transfer tax for real property in excess of $1 million; and closing tax loopholes associated with nonresident activities related to co-ops, asset sales, and business purchases.

Annual Spending Growth

DOB estimates spending in State Operating Funds will grow at 1.9 percent from FY 2017 to FY 2018, below the 2 percent spending benchmark adopted by the current Administration in FY 2012. The table below illustrates the major sources of annual change in State spending by major program, purpose, and fund perspective.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**64,465**	**65,955**	**1,490**	**2.3%**
School Aid (School Year Basis)	24,644	25,605	961	3.9%
DOH Medicaid[1]	18,171	19,174	1,003	5.5%
Transportation	4,959	4,988	29	0.6%
STAR[2]	3,208	2,606	(602)	-18.8%
Social Services	2,923	2,915	(8)	-0.3%
Higher Education	2,985	2,982	(3)	-0.1%
Mental Hygiene	2,459	2,410	(49)	-2.0%
All Other[3]	5,116	5,275	159	3.1%
STATE OPERATIONS/FRINGE BENEFITS	**26,423**	**26,539**	**116**	**0.4%**
Agency Operations	**18,792**	**18,599**	**(193)**	**-1.0%**
Personal Service:	13,035	12,840	(195)	-1.5%
Executive Agencies	7,343	7,120	(223)	-3.0%
University Systems	3,728	3,718	(10)	-0.3%
Elected Officials	1,964	2,002	38	1.9%
Non-Personal Service:	5,757	5,759	2	0.0%
Executive Agencies	2,876	2,811	(65)	-2.3%
University Systems	2,282	2,334	52	2.3%
Elected Officials	599	614	15	2.5%
Fringe Benefits/Fixed Costs	**7,631**	**7,940**	**309**	**4.0%**
Pension Contribution	2,457	2,540	83	3.4%
Health Insurance	3,682	3,976	294	8.0%
Other Fringe Benefits/Fixed Costs	1,492	1,424	(68)	-4.6%
DEBT SERVICE	**5,310**	**5,566**	**256**	**4.8%**
CAPITAL PROJECTS	**2**	**2**	**0**	**0.0%**
TOTAL STATE OPERATING FUNDS	**96,200**	**98,062**	**1,862**	**1.9%**
Capital Projects (State and Federal Funds)	**10,903**	**13,845**	**2,942**	**27.0%**
Federal Operating Aid[4]	**40,178**	**40,458**	**280**	**0.7%**
TOTAL ALL GOVERNMENTAL FUNDS[5]	**147,281**	**152,365**	**5,084**	**3.5%**

[1] Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The EP is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding includes MSA payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the State cost of the local MA takeover.

[2] The FY 2018 Executive Budget proposes converting the NYC PIT credit to a nonrefundable State PIT credit. This change has no impact on the 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 2017 through 2021" herein.

[3] "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 $25.6 billion in FY 2018, an increase of $1.2 billion from FY 2017. It also includes a reconciliation for the Medicaid takeover, including the portion of the MA takeover that will be funded from MSA payments deposited directly to the MMIS escrow fund ($125 million in FY 2018). Lastly, it includes the spending for public health, other education, local government assistance, parks, environment, economic development, and public safety.

[4,5] Federal Operating Funds and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy.

Local Assistance

- Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of the State Operating Funds budget. In SY 2018, School Aid will total $25.6 billion, an increase of $961 million (3.9 percent). Medicaid will grow at the indexed rate of 3.2 percent, consistent with the statutory index ("Global Cap"),[9] to $18.3 billion. In total, Medicaid funded from State resources will increase to $19.5 billion, including the EP,[10] the takeover of local Medicaid costs and other spending outside the Global Cap.

- The cost of the takeover of local government Medicaid growth is proposed to be partially funded with tobacco MSA payments that will be directly deposited to the Medicaid Management Information System (MMIS) Escrow Fund. The change has no impact on overall Medicaid spending funded with State resources, but does decrease reported State-supported Medicaid spending accounted for in State Operating Funds.

- The current service costs of the STAR program are projected to remain essentially flat over the Financial Plan period. However, STAR spending declines reflect the current and proposed conversion of STAR benefits to State PIT credits, in addition to other proposed changes to the program. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers, but does decrease reported disbursements for STAR on a State Operating Funds basis of reporting and decreases the level of reported PIT receipts by an identical amount.

- Mental Hygiene declines are mainly due to funding changes within the DOH Global Cap, which more than offset the roughly 2 percent growth in funding for community-based services.

State Operations/Fringe Benefits

- Agency operations are expected to decline, due in large part to the reclassification of certain personnel expenses related to the maintenance and preservation of State assets, to capital projects funds. This change has no impact on State personnel costs, but does decrease reported operating spending in State Operating Funds.

- Fringe benefits are projected to grow due to rising employee health care and prescription drug costs, as well as pension contributions.

[9] 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.

[10] The EP is an insurance plan for individuals who are not eligible for Medicaid and that meet certain income threshold standards. Approximately 90 percent of program expenses are subsidized with Federal funds made available through the Affordable Care Act (ACA). The EP is not a Medicaid program; however, the State Funds support is managed within total DOH Medicaid Global Cap resources.

Debt Service

- While overall spending from debt service funds is projected to increase by 4.7 percent from FY 2017 including planned prepayments, subtracting the impact of prepayments, debt service costs are projected to increase by roughly 1.8 percent from FY 2017.

All Funds spending, which includes spending from capital funds and Federal funds, is budgeted to increase by 3.5 percent from FY 2017 to FY 2018, excluding extraordinary Federal aid related to disaster-related costs and health care transformation.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Annual Change	Annual % Change	FY 2018 Proposed	Annual Change	Annual % Change
STATE OPERATING FUNDS	**94,288**	**96,200**	**1,912**	**2.0%**	**98,062**	**1,862**	**1.9%**
General Fund (excluding transfers)	56,666	58,570	1,904	3.4%	61,293	2,723	4.6%
Other State Funds	31,987	32,281	294	0.9%	31,166	(1,115)	-3.5%
Debt Service Funds	5,635	5,349	(286)	-5.1%	5,603	254	4.7%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	**143,870**	**147,281**	**3,411**	**2.4%**	**152,365**	**5,084**	**3.5%**
ALL GOVERNMENTAL FUNDS	**150,708**	**156,165**	**5,457**	**3.6%**	**162,260**	**6,095**	**3.9%**
State Operating Funds	94,288	96,200	1,912	2.0%	98,062	1,862	1.9%
Capital Projects Funds	8,981	10,903	1,922	21.4%	13,845	2,942	27.0%
Federal Operating Funds	47,439	49,062	1,623	3.4%	50,353	1,291	2.6%
Federal Disaster Aid for Superstorm Sandy	1,165	1,160	(5)	-0.4%	570	(590)	-50.9%
Federal Health Care Reform	5,673	7,724	2,051	36.2%	9,325	1,601	20.7%
All Other Federal Aid	40,601	40,178	(423)	-1.0%	40,458	280	0.7%
GENERAL FUND (INCLUDING TRANSFERS)	**68,042**	**69,692**	**1,650**	**2.4%**	**72,398**	**2,706**	**3.9%**
STATE FUNDS	**101,232**	**105,306**	**4,074**	**4.0%**	**110,200**	**4,894**	**4.6%**

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

DOB expects that the State will have sufficient liquidity in FY 2018 to make all planned payments as they become due without having to temporarily borrow money from STIP. The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES
FY 2018
(millions of dollars)

	General Fund	Other Funds	All Funds
April	8,661	3,446	12,107
May	4,539	3,069	7,608
June	4,507	4,032	8,539
July	4,807	4,498	9,305
August	4,417	4,177	8,594
September	7,571	1,693	9,264
October	7,324	2,460	9,784
November	5,169	2,118	7,287
December	7,617	1,767	9,384
January	10,369	3,112	13,481
February	10,790	2,837	13,627
March	5,917	2,903	8,820

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $9.9 billion in monetary settlements for violations of State laws. Since the Mid-Year Update, DOB has increased the estimate of payments expected from monetary settlements by $709 million pursuant to two separate settlements with Deutsche Bank ($444 million), Intesa SanPaolo ($235 million), PHH Mortgage ($28 million), and higher than assumed resources from Volkswagen ($2 million).[11]

The following table lists the settlements by firm and amount.

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

	FY 2015	FY 2016	FY 2017	Total
Monetary Settlements	**4,942**	**3,605**	**1,317**	**9,864**
BNP Paribas	2,243	1,348	0	3,591
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	444	1,244
Credit Suisse AG	715	30	0	745
Commerzbank	610	82	0	692
Barclays	0	670	0	670
Credit Agricole	0	459	0	459
Bank of Tokyo Mitsubishi	315	0	0	315
Bank of America	300	0	0	300
Standard Chartered Bank	300	0	0	300
Goldman Sachs	0	50	190	240
Morgan Stanley	0	150	0	150
Bank Leumi	130	0	0	130
Ocwen Financial	100	0	0	100
Citigroup (State Share)	92	0	0	92
MetLife Parties	50	0	0	50
American International Group, Inc.	35	0	0	35
PricewaterhouseCoopers LLP	25	0	0	25
AXA Equitable Life Insurance Company	20	0	0	20
Promontory	0	15	0	15
New Day	0	1	0	1
Volkswagen	0	0	32	32
Mega Bank	0	0	180	180
Agricultural Bank of China	0	0	215	215
PHH Mortgage	0	0	28	28
Intesa SanPaolo	0	0	235	235
Other Settlements	7	0	(7)	0

[11] The settlement amount from Volkswagen was initially expected to total $30 million, as reflected in the August 2016 AIS Update. The actual payment received by the State from the Volkswagen settlement in November 2016 totaled $31.8 million, or roughly $2 million more than expected.

Uses of Monetary Settlements

The Executive Budget Financial Plan reflects the Executive's intention to continue applying the majority of the settlements to fund capital investments and nonrecurring expenditures. The FY 2017 Enacted Budget Financial Plan reflected the authorized transfer of $6.5 billion in monetary settlements over a five-year period to DIIF to finance various appropriated purposes ($6.4 billion), and to the Environmental Protection Fund (EPF) ($120 million). These purposes, which are financed with the $6.5 billion of monetary settlement collections and funded from capital appropriations, include the following capital purposes and other activities, and in some cases, operating activities associated with the maintenance, protection, preservation and operation of capital assets:

- **Thruway Stabilization ($2.0 billion):** The $2.0 billion investment will support both the New NY Bridge project and other transportation infrastructure needs for the rest of the Thruway system.

- **Upstate Revitalization Program ($1.7 billion):** Awarded $1.5 billion in 2015 to the three Upstate regions selected as URI best plan awardees. An additional $200 million ($170 million from monetary settlements) was provided in 2016 to support projects in the remaining four eligible Upstate regions.

- **Affordable and Homeless Housing ($640 million):** Settlement funds will augment the multi-year investment in affordable housing services, and provide housing opportunities for individuals and families who are homeless or at risk of homelessness. Funds will be invested over five years to create new housing opportunities for individuals and families in need of supportive services, as well as to assist vulnerable populations in securing stable housing.

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

- **Health Care/Hospitals ($400 million):** Provides $355 million in grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities to create a financially sustainable system of care. The Plan also funds capital expenses of the Roswell Park Cancer Institute ($15.5 million); and a community health care revolving loan ($19.5 million).

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

- **Transportation Capital Plan ($200 million):** Provides funding for transportation infrastructure projects across the State.

- **Municipal Restructuring and Consolidation Competition ($170 million):** Includes $20 million in funding for a Municipal Consolidation Competition to encourage the reduction of costs through a competitive process to be administered by the DOS. This funding is in addition to $150 million for the first Downtown Revitalization Initiative and for municipal restructuring to assist and encourage local governments and school districts to implement shared services, cooperation agreements, mergers, and other actions that permanently reduce operational costs and property tax burdens.

- **Resiliency, Mitigation, Security, and Emergency Response ($150 million):** Provides funding for operating purposes such as preparedness and response efforts related to severe weather events, as well as efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.

- **Transformative Economic Development Projects ($150 million):** Includes funds to promote economic development in Nassau and Suffolk counties.

- **Infrastructure Improvements ($115 million):** Funding for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other projects.

- **Economic Development ($85 million):** Funding for the economic development strategy of creating jobs, strengthening and diversifying economies, and generating economic opportunities across the State, including investments in infrastructure.

- **Southern Tier/Hudson Valley Farm Initiative ($50 million):** Funding to help landowners in the Southern Tier and Hudson Valley maintain and develop farming, agricultural, and related businesses.

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

- **EPF ($120 million):** This $120 million and other EPF resources would provide dedicated funding to communities throughout New York State to improve the environment, combat climate change, and reduce greenhouse gas emissions.

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

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

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

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

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

The Executive Budget Financial Plan reflects recommendations to allocate an additional $1.8 billion in unbudgeted monetary settlements to support the following measures through capital appropriations, including capital purposes and other activities associated with the maintenance, protection, preservation and operation of capital assets:

- **Buffalo Billion Phase II ($500 million):** The Executive Budget Financial Plan reflects the overall $500 million commitment for the second phase of the Buffalo Billion, including the proposal to invest $400 million from monetary settlement funds to support the second phase.

- **Life Sciences ($300 million):** The Executive Budget Financial Plan reflects the proposed commitment of $300 million from monetary settlement funds to support the State's multi-year $650 million Life Sciences Initiative. The State will provide $200 million to support state-of-the-art laboratory space, equipment, and technology. Furthermore, $100 million will be provided in investment capital for early stage life science firms, which is expected to be matched by private sector partners.

- **Transportation ($270 million):** The Executive Budget Financial Plan would invest an additional $270 million in the DOT capital plan for infrastructure and facility improvements.

- **Security and Emergency Response Preparedness ($203 million):** The Executive budget Financial Plan reflects the commitment of $203 million over the next four years to continue counter-terrorism efforts in New York City including increased security and anti-terror exercises at nine Metropolitan Transportation Authority (MTA)-operated bridges and tunnels and to sustain the increased deployment of the National Guard at transportation hubs that began in September 2014.

- **Health Care Capital Grants ($200 million):** The Executive Budget Financial Plan reflects a proposed $500 million in new health care capital grants, of which $200 million would be funded from monetary settlements.

- **Downtown Revitalization ($100 million):** The Executive Budget Financial Plan reflects the proposal to provide an additional $100 million for the Downtown Revitalization Initiative to fund housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The existing program provides $100 million to ten communities that are currently experiencing population loss and/or economic decline to develop revitalization plans for their downtown areas, developed in collaboration with policy and planning experts. The Executive Budget Financial Plan reflects the proposal to expand this initiative by providing an additional $100 million for ten new communities, bringing the total program funding to $200 million.

- **DMNA Armories ($20 million):** The Executive Budget Financial Plan reflects the proposal to include $20 million for improvements to armories and readiness centers. This will allow the State to maintain these facilities in a state of good repair, and to best position the New York National Guard to respond as emergencies arise across the State.

- **First-Year Costs of Potential Labor Agreements ($155 million):** The Executive Budget Financial Plan reflects the proposal to reserve $155 million of monetary settlement resources to fund the first-year costs of potential labor agreements with employees patterned on the PEF contract. This is in addition to the $90 million in cash on hand in the General Fund that is expected to be used to fund the PEF and M/C agreements in FY 2017. The combined total is expected to be sufficient to cover the first year costs of all agencies.

- **Rainy Day Reserve Fund Deposit ($150 million):** The Executive Budget Financial Plan reflects the proposed deposit of $150 million to the Rainy Day Reserve Fund in FY 2018, if fiscal conditions permit.

As reflected in the table below, $850 million was used to resolve Federal OPWDD disallowances in FY 2016. In addition, a portion of the monetary settlements has been used for General Fund operations, as well as costs of the Department of Law's Litigation Services Bureau.[12]

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[12] The windfall of monetary settlements began after the enactment of the FY 2015 budget. Accordingly, the multi-year Financial Plans prior to the windfall had assumed the annual receipt of monetary settlements based on historical patterns.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**4,860**	**3,256**	**1,643**	**580**	**229**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**1,317**	**0**	**0**	**0**	**0**	**0**	**9,864**
Use/Transfer of Funds	**275**	**1,972**	**2,757**	**1,604**	**1,613**	**1,063**	**351**	**229**	**9,864**
Capital Purposes:									
Transfer to Dedicated Infrastructure Investment Fund	0	857	1,172	2,002	1,959	969	270	185	7,414
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	120
Transfer to Capital Projects Fund - DOT	0	0	0	72	109	44	31	14	270
Transfer to Capital Projects Fund - Statewide Capital Healt	0	0	0	25	45	50	50	30	200
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	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	0	627
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	155
Deposit to Rainy Day Fund	0	0	0	150	0	0	0	0	150
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	5
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**4,860**	**3,256**	**1,643**	**580**	**229**	**0**	**0**

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

April – December 2016
Operating Results

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April – December 2016 Operating Results

This section provides a summary of operating results for April 2016 through December 2016 compared to (1) the initial projections set forth in the FY 2017 Enacted Budget Financial Plan; (2) the revised projections of the Mid-Year Update; and (3) the results for the prior fiscal year (April 2015 through December 2015). The results below include monetary settlements.

General Fund Results

General Fund receipts, including transfers from other funds, totaled $49.5 billion through December 2016, $780 million below the Enacted Budget Financial Plan estimate. As shown in the table below, tax collections were $1.6 billion below the Enacted Budget Financial Plan estimate, with a $1.8 billion shortfall in PIT receipts offset in part by higher than estimated estate tax results related to a greater than anticipated number of extra-large (between $4 million and $25 million) and super-large (over $25 million) payments through December 2016. Since the FY 2017 Enacted Budget, DOB has lowered the estimated amount of FY 2017 PIT receipts by $1.4 billion due to continued underlying weakness in base tax growth.

General Fund disbursements, including transfers to other funds, totaled $49.4 billion through December 2016. Spending during the nine-month period is $888 million higher than expected in the Enacted Budget Financial Plan due to several significant timing factors within the Medicaid program. In addition, a spike in EP enrollment will drive higher program costs within the Global Cap, which is expected to be corrected during the remaining months of the fiscal year. Overall higher General Fund disbursements through December 2016 are partly offset by spending which was lower than initial projections for education aid, capital projects, and other programs.

At the Mid-Year Update, General Fund disbursements were adjusted downward to reflect total lower spending during the current year, in particular for capital projects transfers based on utilization of other financing sources, and additional HCRA revenue resources available to offset General Fund Medicaid expenses. In the Updated Financial Plan, General Fund disbursements have been further adjusted downward to reflect revised spending assumptions for the remainder of the current year, including modest downward adjustments for school aid competitive grants programs and transfers to support certain capital programs, as well as upward revisions related to debt service financing and the anticipated cost of collective bargaining agreements.

The State ended December 2016 with a General Fund closing balance of $9.1 billion, approximately $1.7 billion below the Enacted Budget Financial Plan estimate and $98 million below the Mid-Year Update estimate. Of the $9.1 billion General Fund closing balance, monetary settlements accounted for $6.5 billion and included the November 2016 payment of $28 million from PHH Mortgage Corporation and the December 2016 payment of $235 million from Intesa SanPaolo, as described earlier in this AIS Update.

April - December 2016 Operating Results

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

	Enacted Plan	Revised Plan	Results	Above/(Below) Variance: Enacted Plan $	Enacted Plan %	Revised Plan $	Revised Plan %
Opening Balance	**8,934**	**8,934**	**8,934**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**50,252**	**49,163**	**49,472**	**(780)**	**-1.6%**	**309**	**0.6%**
Taxes:	48,182	46,706	46,615	(1,567)	-3.3%	(91)	-0.2%
Personal Income Tax[1]	33,365	31,524	31,548	(1,817)	-5.4%	24	0.1%
Consumption / Use Taxes[1]	9,733	9,824	9,792	59	0.6%	(32)	-0.3%
Business Taxes	3,582	3,815	3,643	61	1.7%	(172)	-4.5%
Other Taxes[1]	1,502	1,543	1,632	130	8.7%	89	5.8%
Receipts and Grants	1,965	2,296	2,672	707	36.0%	376	16.4%
Transfers From Other Funds	105	161	185	80	76.2%	24	14.9%
Total Spending	**48,464**	**48,945**	**49,352**	**888**	**1.8%**	**407**	**0.8%**
Local Assistance	29,499	30,518	30,630	1,131	3.8%	112	0.4%
Agency Operations (including GSCs)	10,561	10,797	10,803	242	2.3%	6	0.1%
Debt Service Transfer	422	413	410	(12)	-2.8%	(3)	-0.7%
Capital Projects Transfer	2,453	1,766	2,137	(316)	-12.9%	371	21.0%
State Share of Medicaid Transfer	1,065	994	991	(74)	-6.9%	(3)	-0.3%
SUNY Operations Transfer	997	996	996	(1)	-0.1%	-	0.0%
All Other Transfers	3,467	3,461	3,385	(82)	-2.4%	(76)	-2.2%
Change in Operations	**1,788**	**218**	**120**	**(1,668)**	**-93.3%**	**(98)**	**-45.0%**
Closing Balance	**10,722**	**9,152**	**9,054**	**(1,668)**	**-15.6%**	**(98)**	**-1.1%**

1 Includes transfers from other funds after debt service.

Total tax collections were $1.6 billion lower than projected in the Enacted Budget Financial Plan. Lower PIT collections ($1.8 billion) were primarily driven by weaker than expected estimated payment and withholding growth through December 2016. All other tax categories exceeded initial projections, with stronger than expected estate tax collections resulting from a greater than anticipated number of extra-large and super-large payments through December 2016. Partly offsetting the overall tax variance in comparison to the Enacted Budget Financial Plan is approximately $690 million in unanticipated monetary settlement collections received from various banks and Volkswagen.

Compared to the revised projections in the Mid-Year Update, total receipts were $309 million higher than projected, driven primarily by additional monetary settlements ($263 million) and higher than anticipated abandoned property receipts ($63 million), and partly offset by lower business tax receipts ($172 million) driven by lower corporate franchise taxes related to lower 2016 tax payments from calendar year filers.

Through December 2016, General Fund disbursements, including transfers to other funds, were $888 million higher than initially projected, reflecting the net impact of higher spending for local assistance ($1.1 billion) and agency operations ($242 million), partly offset by lower transfers to other funds ($485 million).

Local assistance spending above planned levels was primarily driven by Medicaid and EP payments, partly offset by lower spending for education, higher education and other local aid programs. The higher than projected Medicaid spending levels through December 2016 were due in part to variances in the receipt of certain offsets and audit recoveries which were not applied during earlier months as initially projected and are now expected to be approved and processed during the final three months of the fiscal year, as well as the application of Federal credits to reimburse the advancement of State funds which was necessitated by pending rate plan approvals. In addition, costs for the EP, which is funded in the first instance with Federal money, have been higher than expected due to a sharp enrollment increase. A reconciliation of Federal reimbursement for increased enrollment costs of prior quarters has been approved, which will mitigate the total cost impact within the Medicaid Global Cap. In total, State costs for both Medicaid and the EP are expected to be managed within the Medicaid Global Cap, consistent with Updated Financial Plan estimates.

Higher agency operations spending includes retroactive salary payments associated with the PEF and the Bureau of Criminal Investigation (New York State Police Investigators Association) (BCI) collective bargaining agreements approved in 2016, as well as higher general state charges expenses due to the timing of agency reimbursement paid from other funding sources, and litigation expenses related to an increased volume of court of claims processing.

Transfers to other funds were lower than initially planned primarily due to Capital Projects transfers related to the utilization of monetary settlements for Thruway projects including the New NY Bridge. Compared to the revised projections, transfers to Capital Projects funds were higher than anticipated due to the timing of a State bond sale.

Compared to the revised projections in the Mid-Year Update, spending was $407 million higher, largely due to a continuation of higher than planned Medicaid spending, as several large credits and offsets which were scheduled earlier in the year, and then anticipated to occur during the third quarter as part of the revised Financial Plan Update, remain as outstanding balances to be processed during the final quarter of the fiscal year. As referenced earlier, the delayed processing of certain rate plans required DOH to advance State funds in order to alleviate cash flow stress to providers. As approved rate plans are implemented, the advancement of State funds will be credited back to the Global Cap, reducing the current spending variance relative to initial projections. In addition, transfers to Capital Projects were higher than the revised projections in order to accelerate spending for Special Infrastructure and transportation projects during the third quarter of the fiscal year.

Other local program areas, including certain competitive grant awards within the school aid programs, and the HESC TAP and SUNY Community College programs, carried lower spending through December which partly offset the overall variance in comparison to revised projections.

April - December 2016 Operating Results

The results below show General Fund operations for April through December 2016 with and without monetary settlements. For a summary discussion of operating results that exclude monetary settlements, see the earlier discussion of the FY 2018 General Fund.

GENERAL FUND OPERATING RESULTS APRIL THROUGH DECEMBER 2016 (millions of dollars)	Results Excluding Monetary Settlements	Monetary Settlements	Reported Results
Opening Balance	**2,634**	**6,300**	**8,934**
Total Receipts	**48,662**	**810**	**49,472**
Taxes:	46,615	0	46,615
Personal Income Tax[1]	31,548	0	31,548
Consumption / Use Taxes[1]	9,792	0	9,792
Business Taxes	3,643	0	3,643
Other Taxes[1]	1,632	0	1,632
Receipts and Grants	1,862	810	2,672
Transfers From Other Funds	185	0	185
Total Spending	**48,775**	**577**	**49,352**
Local Assistance	30,630	0	30,630
Agency Operations (including GSCs)	10,803	0	10,803
Debt Service Transfer	410	0	410
Capital Projects Transfer	1,560	577	2,137
State Share of Medicaid Transfer	991	0	991
SUNY Operations Transfer	996	0	996
All Other Transfers	3,385	0	3,385
Change in Operations	**(113)**	**233**	**120**
Closing Balance	**2,521**	**6,533**	**9,054**

1 Includes transfers from other funds after debt service.

State Operating Funds Results

The State ended December 2016 with a closing balance of $13.3 billion in State Operating Funds, or $967 million below the initial projection reflected in the Enacted Budget Financial Plan. The lower balance is comprised of slightly higher receipts ($177 million), higher spending ($1.7 billion), and higher financing from other sources ($536 million). Compared to projections in the Mid-Year Update, the closing balance in State Operating Funds was $17 million above projections included with the Mid-Year Update.

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

	Enacted Plan	Revised Plan	Results	Above/(Below) Variance: Enacted Plan $	Enacted Plan %	Revised Plan $	Revised Plan %
Opening Balance	**12,641**	**12,641**	**12,641**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**67,863**	**67,408**	**68,040**	**177**	**0.3%**	**632**	**0.9%**
Taxes:	53,728	52,229	52,180	(1,548)	-2.9%	(49)	-0.1%
Personal Income Tax	34,757	32,874	32,878	(1,879)	-5.4%	4	0.0%
Consumption / Use Taxes	11,829	11,891	11,863	34	0.3%	(28)	-0.2%
Business Taxes	4,675	4,962	4,832	157	3.4%	(130)	-2.6%
Other Taxes	2,467	2,502	2,607	140	5.7%	105	4.2%
Miscellaneous/Federal Receipts	14,135	15,179	15,860	1,725	12.2%	681	4.5%
Total Spending	**65,268**	**66,736**	**66,948**	**1,680**	**2.6%**	**212**	**0.3%**
Local Assistance	43,341	44,504	44,688	1,347	3.1%	184	0.4%
Agency Operations (including GSCs)	19,953	20,296	20,323	370	1.9%	27	0.1%
Debt Service	1,974	1,934	1,934	(40)	-2.0%	-	0.0%
Capital Projects	0	2	3	3	0.0%	1	50.0%
Other Financing Sources	**(943)**	**(4)**	**(407)**	**536**	**56.8%**	**(403)**	**-10075.0%**
Change in Operations	**1,652**	**668**	**685**	**(967)**	**-58.5%**	**17**	**2.6%**
Closing Balance	**14,293**	**13,309**	**13,326**	**(967)**	**-6.8%**	**17**	**0.1%**

Through December 2016, total receipts were $177 million higher than the Enacted Budget Financial Plan. Tax collections were $1.5 billion below the Enacted Budget Financial Plan, consistent with the General Fund results described above. Miscellaneous receipts exceeded Enacted Budget Financial Plan projections due to the monetary settlement payments from various banks and Volkswagen, as described earlier in this AIS Update.

State Operating Funds receipts were $632 million higher than projections included with the Mid-Year Update, largely due to unanticipated monetary settlement payments received in the third quarter of FY 2017 ($263 million), higher abandoned property collections ($63 million), and continued strength in HCRA assessment revenue collections ($104 million). Other special revenue fund collections were positive as well, in particular for SUNY income and the Higher Education Services Corporation.

State Operating Funds spending was $1.7 billion above the Enacted Budget Financial Plan projections, primarily due to higher spending in both local assistance ($1.3 billion) and agency operations ($370 million), and are primarily consistent with the factors driving General Fund results as described previously.

In addition to the General Fund variances described previously, STAR local assistance payments were lower than anticipated ($158 million) due to a timing-based variance which was adjusted in subsequent Financial Plan updates. State operations expenses of SUNY, driven by revenue collected from tuition income for campus operations and patient income for hospital operations, were higher than initial projections ($74 million).

State Operating Funds spending was $212 million higher than projections included with the Mid-Year Update, largely reflecting higher Medicaid spending and lower school aid disbursements, consistent with explanations for the General Fund results as described earlier.

Other Financing Sources, which represent the difference between transfers to and from State Operating Funds, were $536 million above initial estimates due to lower transfers from the General Fund to Capital Projects Funds driven by updated spending assumptions and utilization of bond financing for the Thruway Authority's New NY York Bridge project. In comparison to the revised Mid-Year Update, other financing sources were $403 million lower than projected, driven by additional General Fund transfers necessary to support accelerated capital spending for certain special infrastructure and DOT projects.

All Governmental Funds Results

The State ended December 2016 with an All Governmental Funds closing balance of $13 billion, $926 million below the amount projected in the Enacted Budget Financial Plan, reflecting higher than planned spending ($948 million). The All Governmental Funds closing balance was $261 million higher than projected at the Mid-Year Update.

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

	Enacted Plan	Revised Plan	Results	Above/(Below) Variance: Enacted Plan $	Enacted Plan %	Revised Plan $	Revised Plan %
Opening Balance	**11,810**	**11,810**	**11,810**	**0**	**0.0%**	**0**	**0.0%**
Total Receipts	**111,146**	**110,708**	**111,187**	**41**	**0.0%**	**479**	**0.4%**
Taxes:	54,710	53,263	53,233	(1,477)	-2.7%	(30)	-0.1%
Personal Income Tax	34,757	32,874	32,878	(1,879)	-5.4%	4	0.0%
Consumption / Use Taxes	12,261	12,371	12,346	85	0.7%	(25)	-0.2%
Business Taxes	5,141	5,432	5,319	178	3.5%	(113)	-2.1%
Other Taxes	2,551	2,586	2,690	139	5.4%	104	4.0%
Miscellaneous Receipts	17,755	18,249	18,278	523	2.9%	29	0.2%
Federal Grants	38,681	39,196	39,676	995	2.6%	480	1.2%
Total Spending	**109,043**	**109,777**	**109,991**	**948**	**0.9%**	**214**	**0.2%**
State Operating Funds:	65,268	66,736	66,948	1,680	2.6%	212	0.3%
Local Assistance	43,341	44,504	44,688	1,347	3.1%	184	0.4%
Agency Operations (including GSCs)	19,953	20,296	20,323	370	1.9%	27	0.1%
Debt Service	1,974	1,934	1,934	(40)	-2.0%	0	0.0%
Capital Projects	0	2	3	3	0.0%	1	50.0%
Capital Projects Funds	8,315	7,346	7,196	(1,119)	-13.5%	(150)	-2.0%
Federal Operating Funds	35,460	35,695	35,847	387	1.1%	152	0.4%
Other Financing Sources	**(13)**	**(28)**	**(32)**	**(19)**	**-146.2%**	**(4)**	**-14.3%**
Change in Operations	**2,090**	**903**	**1,164**	**(926)**	**-44.3%**	**261**	**28.9%**
Closing Balance	**13,900**	**12,713**	**12,974**	**(926)**	**-6.7%**	**261**	**2.1%**

Through December 2016, total All Governmental Funds receipts were $41 million above the initial projections included with the FY 2017 Enacted Budget Financial Plan, reflecting lower PIT collections as described above, offset by higher receipts in all other receipts categories.

Compared to the Mid-Year Update, All Governmental Funds receipts were $479 million higher, largely due to timing of Federal spending and reimbursement.

Disbursements

Through December 2016, All Governmental Funds spending was $948 million higher than initially planned. Lower spending in Capital Projects, as explained previously, was offset by the higher State Operating Funds spending variance primarily associated with Medicaid spending. The largest areas of higher Federal spending were DOH Medicaid ($1.1 billion), which is inclusive of costs related to the increased enrollment for individuals in the EP program and a December reconciliation of State and Federal funding shares. This reconciliation accounted for the prior advancement of reimbursement, which was deficient based on actual enrollment levels, offset by the delayed Federal education payments related to a lag in the timing of claim submissions from school districts relative to initial projections ($613 million).

All Governmental Funds spending was $214 million higher than Mid-Year Update projections which, in addition to the State Operating Funds and Capital Projects variances described above, included higher spending for Federal Medicaid and EP costs ($674 million), offset by lower than projected disbursements for Federal education ($388 million).

All Governmental Funds Annual Change

All Governmental Funds results, as compared to the same period during the prior year, include a higher opening balance ($2.5 billion), a decline in receipts ($688 million), and higher spending ($5 billion). The combination of these annual changes resulted in a $3.2 billion decrease in overall balance.

All GOVERNMENTAL FUNDS RESULTS YEAR-OVER-YEAR
APRIL THROUGH DECEMBER
(millions of dollars)

	FY 2016 Results	FY 2017 Results	Increase/(Decrease) $	%
Opening Balance	**9,355**	**11,810**	**2,455**	**26.2%**
Total Receipts	**111,874**	**111,187**	**(687)**	**-0.6%**
Taxes:	54,435	53,233	(1,202)	-2.2%
Personal Income Tax	34,021	32,878	(1,143)	-3.4%
Consumption / Use Taxes	11,961	12,346	385	3.2%
Business Taxes	5,442	5,319	(123)	-2.3%
Other Taxes	3,011	2,690	(321)	-10.7%
Miscellaneous Receipts	20,207	18,278	(1,929)	-9.5%
Federal Grants	37,232	39,676	2,444	6.6%
Total Spending	**104,943**	**109,991**	**5,048**	**4.8%**
State Operating Funds:	64,889	66,948	2,059	3.2%
Local Assistance	42,895	44,688	1,793	4.2%
Agency Operations (including GSCs)	19,882	20,323	441	2.2%
Debt Service	2,111	1,934	(177)	-8.4%
Capital Projects	1	3	2	200.0%
Capital Projects Funds	6,524	7,196	672	10.3%
Federal Operating Funds	33,530	35,847	2,317	6.9%
Other Financing Sources	**(66)**	**(32)**	**34**	**-51.4%**
Change in Operations	**6,865**	**1,164**	**(5,701)**	**-83.0%**
Closing Balance	**16,220**	**12,974**	**(3,246)**	**-20.0%**

April - December 2016 Operating Results

All Funds tax receipts during the time period of April 2016 through December 2016 were $1.2 billion (2.2 percent) lower than results for the same time period of the prior year, primarily due to lower PIT receipts ($1.1 billion) resulting from a decline in quarterly estimated tax payments and April extension payments. Business taxes declined ($123 million) due to lower gross receipts partially offset by higher audits. The year-over-year decline in other taxes ($321 million) was primarily the result of the continued phase-in of the estate tax cut enacted in 2014. These declines were slightly offset by a $385 million annual increase in consumption/use taxes resulting from higher sales and use tax collections ($376 million) related mainly to base growth.

Miscellaneous receipts were $1.9 billion below the prior year, largely due to the receipt of one-time settlement proceeds in FY 2016, including over $1.3 billion from BNP alone.

Federal grants were $2.4 billion higher than FY 2016, consistent with the impact of the annual changes in Federal spending described in more detail below.

Through December 2016, All Funds spending was $5 billion higher than the same period in the prior year, which was comprised of higher spending for State Operating Funds ($2.1 billion), Capital Projects Funds ($672 million), and Federal Operating Funds ($2.3 billion).

State Operating Funds spending through December was $2.1 billion, or 3.2 percent, higher than the same period in the prior year. This increase was driven primarily by the growth in Medicaid ($1.6 billion) in relation to sharp increases in EP enrollment levels, as well as the advancement of funds to providers earlier during FY 2017 while awaiting the application of certain credits pending Federal approval of rate plans. School aid growth of $287 million from the prior year was consistent with program growth budgeted on an annual basis. Growth in agency operations ($441 million) was due to higher non-personal service costs ($164 million), in particular for growth in SUNY campus and hospital operations activity, and fringe benefit and fixed cost expenses ($252 million) related to growth in statewide pension and health insurance expenses.

Federal spending growth is largely driven by Medicaid spending ($3.2 billion), most significantly reflecting the escalating cost impact associated with various Federal health care transformation initiatives (including new spending for the EP). Significant spending declines relative to FY 2016 are driven by claims inconsistent with prior year patterns in education primarily related to timing delays associated with New York City claims ($849 million), public assistance ($367 million) and homeland security ($277 million).

Growth in capital projects spending is primarily attributable to the continued implementation of several projects funded from DIIF, where initial spending did not occur until July 2016.

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Other Matters Affecting the State Financial Plan

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Other Matters Affecting the State Financial Plan

General

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

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

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

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

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

Budget Risks and Uncertainties

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

The Updated Financial Plan projections for the outyears assume 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 CPI, respectively. However, the budgets enacted for FYs 2014 through FY 2017 authorized spending for School Aid to increase above personal income growth. The FY 2018 Executive Budget Financial Plan reflects a 3.9 percent School Aid increase, equal to the personal income indexed rate.

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

The 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 miscellaneous revenues at the levels expected in the Executive 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 Executive Budget Financial Plan in current or future years.

The Executive Budget includes some proposals and recommendations that would affect annual spending growth on a 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 such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, this could add upward pressure to the reported level of annual spending growth in State Operating Funds, which the Executive Budget proposes be held to less than 2 percent in FY 2018.

In developing the Executive Budget Financial Plan, DOB attempts to mitigate the financial risks from volatility, litigation, and other 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 the tools available to mitigate risks are sufficient to address risks that may materialize in a given fiscal year.

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision in future Financial Plan updates as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues that may arise.

Reductions in Federal funding levels could have a materially adverse impact on the Executive Budget Financial Plan. In addition to the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress, the Executive Budget Financial Plan may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

Current issues of particular concern in potentially affecting the Updated Financial Plan are described below.

Predictable Revenue Streams

The transition at the Federal level to a new administration and Congress has put in flux the flow of revenue for federally supported programs especially mandatory programs such as TANF and the

Children's Health Insurance Program that are funded outside the Federal appropriations process and set to expire in Federal FY 2017. The Federal revenue streams supporting these programs, and others up for reauthorization, totaled more than $42 billion nationally in FY 2016.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

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

Federal Debt Ceiling

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

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

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

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

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

Current Labor Negotiations (Current Contract Period)

Legislation has been enacted to implement a three year collective bargaining agreement providing 2 percent annual increases (FY 2017, FY 2018, and FY 2019) for employees represented by PEF and comparable increases for M/C employees. The agreement with PEF follows the one-year retroactive labor agreement authorizing payment of a 2 percent general salary increase to members for the period April 1, 2015 through March 31, 2016. The Graduate Student Employees Union (GSEU) have agreed to a similar three-year deal. The GSEU membership voted to ratify on March 3, 2017.

The New York State Police Investigators Association (NYSPIA) achieved a multi-year collective bargaining agreement patterned after the State's 2015 legislative session deals with the State Police Troopers and Commissioned- and Non-Commissioned Officers. The enacted NYSPIA pay bill provides the same schedule of general salary increases provided to the Police Benevolent Association of the New York State Troopers (NYSPBA) members; specifically, a 2 percent general salary increase for each of FY 2015 and FY 2016, in their entirety, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018, respectively.

Most recently, the NYSCOPBA membership voted not to ratify a tentative agreement on a five-year labor contract through FY 2021, which 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 State will continue negotiations with NYSCOPBA.

The State is in active negotiations with all other employee unions whose contracts concluded in FY 2016, including CSEA, UUP, Council 82, and District Council 37 (DC-37 Housing). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

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

Pension Amortization[13]

Background

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

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

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

The amortization rates (i.e., the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to one percentage point per year. When the average normal rate is more than one percentage point greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal average rate, amortization is not allowed. Additionally, when the graded rate is more than one percentage point greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all

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

amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates. The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Executive Budget Financial Plan no longer assumes amortization of State and the Office of Court Administration (OCA) pension costs beyond FY 2016.

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

	New York State Employees' Retirement System (ERS)		New York State Police and Fire Retirement System (PFRS)	
Fiscal Year (FY)	System Average Normal Rates (GLIP Portion)[1]	System Graded Rates (does not apply to GLIP)	System Average Normal Rates (GLIP Portion)	System Graded Rates (does not apply to GLIP)
2011	11.9 (0.4)	9.5	18.2 (0.1)	17.5
2012	16.3 (0.4)	10.5	21.6 (0.0)	18.5
2013	18.9 (0.4)	11.5	25.8 (0.1)	19.5
2014	20.9 (0.4)	12.5	28.9 (0.0)	20.5
2015	20.1 (0.4)	13.5	27.6 (0.1)	21.5
2016	18.2 (0.5)	14.5	24.7 (0.0)	22.5
2017	15.5 (0.4)	15.1	24.3 (0.0)	23.5
2018	15.3 (0.4)	14.9	24.4 (0.1)	24.3

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

Outyear Projections

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

During FY 2016, the NYSLRS (ERS and PFRS) updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, the System announced that employer contribution rates would decrease for FY 2017 and the assumed rate of return would be lowered from 7.5 percent to 7 percent. The salary scale assumptions were also changed — for ERS the scale was reduced from 4.8 percent to 3.8 percent, and for PFRS the scale was reduced from 5.4 percent to 4.5 percent.

The FY 2017 ERS/PFRS pension estimate of $2.2 billion incorporates the most recent estimate prepared by OSC as of February 2017. This includes payment of prior amortizations totaling $432 million and additional interest savings from paying the majority of the non-Judiciary and Judiciary pension bills in April 2016. Total payment estimates include both the non-Judiciary and Judiciary components, and reflect payment of the entire pension bill, with no additional amortization.

The pension estimate also reflects changes to military service credit provisions enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016), allowing all veterans who are members of a New York State or Local Retirement System to receive extra pension credit for up to three years of military service if they were honorably discharged, have achieved five years of service in a public retirement system, and agree to pay the employee share of such additional pension credit.

Costs to the State for 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 system employers and billed on a two-year lag (e.g., FY 2017 costs will be billed starting in FY 2019). Additionally, under Section 25 of Retirement and Social Security Law (RSSL), the State is required to pay the ERS employer contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the first year of past service costs associated with this credit; however, the State has not yet chosen this option as there would be an interest rate of 7 percent applied to this amortization. The cost to the State for ERS (including the costs covered for local ERS) is $77 million in FY 2017 based on actual credit purchased through December 31, 2016. DOB currently estimates ERS costs of $100 million in FY 2018; $79 million in FY 2019; and $49 million in FY 2020. Additionally, the State expects ongoing annual costs of $7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

The preliminary FY 2018 ERS/PFRS pension estimate is impacted by FY 2016 investment returns of 0.2 percent, which was significantly below the Comptroller's assumed rate of return (7 percent). However, the past year's underperformance is expected to be offset by stronger investment returns in the previous four years and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease slightly from 15.5 percent of payroll to 15.3 percent (a decrease of approximately 1.3 percent), while the average contribution rate for PFRS will increase slightly from 24.3 percent of payroll to 24.4 percent (an increase of approximately 0.4 percent).

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

STATE PENSION COSTS AND AMORTIZATION SAVINGS (millions of dollars)

	Amortization Thresholds (Graded Rate)		Statewide Pension Payments[1]			
Fiscal Year	ERS (%)	PFRS (%)	Gross Pension Costs	Amortization Amount	Repayment of Amortization[2]	Total Statewide Pension Payments
2011	9.5	17.5	1,633	(250)	87	1,470
2012	10.5	18.5	2,140	(563)	119	1,696
2013	11.5	19.5	2,192	(779)	188	1,601
2014	12.5	20.5	2,744	(937)	279	2,086
2015	13.5	21.5	2,438	(713)	393	2,118
2016	14.5	22.5	2,189	(356)	392	2,225
2017	15.1	23.5	2,025	0	432	2,457
2018	14.9	24.3	2,108	0	432	2,540
2019	15.6	25.3	2,215	0	432	2,647
2020	16.6	26.3	2,329	0	432	2,761
2021	17.6	27.3	2,558	0	432	2,990

[1] Includes ERS, PFRS, TRS, ORP, and VDC.

[2] Includes repayment of amortization in SFY's 2005 and 2006.

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS

(millions of dollars)

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.8	1,398.4
2014	2,633.8	(937.0)	192.0	1,888.8
2015	2,325.8	(713.1)	305.6	1,918.3
2016	1,972.2	(356.2)	389.9	2,005.9
Projections:				
2017	1,791.8	0.0	432.1	2,223.9
2018	1,881.0	0.0	432.1	2,313.1
2019	1,982.6	0.0	432.1	2,414.7
2020	2,093.0	0.0	432.1	2,525.1
2021	2,316.7	0.0	432.1	2,748.8
2022	2,530.6	0.0	399.8	2,930.4
2023	2,556.6	0.0	331.3	2,887.9
2024	2,582.7	0.0	240.1	2,822.8
2025	2,609.0	0.0	126.4	2,735.4
2026	2,635.0	0.0	42.2	2,677.2
2027	2,661.1	0.0	0.0	2,661.1
2028	2,687.2	0.0	0.0	2,687.2
2029	2,696.2	0.0	0.0	2,696.2
2030	2,703.6	0.0	0.0	2,703.6
2031	2,709.3	0.0	0.0	2,709.3
2032	2,713.0	0.0	0.0	2,713.0

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

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

Net Pension Liability

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

Other Post-Employment Benefits (OPEB)

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

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

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

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

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

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

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

GASB Statement 75 is not expected to alter Updated Financial Plan PAYGO projections for health insurance, as the DOB methodology for forecasting these costs over a multi-year period already incorporates factors and considerations consistent with the new actuarial methods and calculations required by the GASB Statement. The Executive Budget includes legislation to establish a Retiree Health Benefit Trust Fund for the purpose of funding health benefits of retired State employees and their dependents.

Litigation

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

Storm Recovery

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

Climate Change Adaptation

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

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 attacks, viruses and similar malware attacks on computer and other sensitive 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 damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. However, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could damage State digital networks and systems and the costs of remedying any such damage could be substantial.

Financial Condition of New York State Localities

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

Bond Market

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

Debt Reform Act Limit

The Debt Reform Act of 2000 ("Debt Reform Act") restricts the issuance of State-supported debt to capital purposes only, and for maximum terms of 30 years. The Debt Reform Act limits the amount of new State-supported debt to 4 percent of State personal income, and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued since April 1, 2000. The cap on new State-supported debt outstanding began at 0.75 percent of personal income in FY 2001, and was fully phased in at 4 percent of personal income during FY 2011. The cap on new State-supported debt service costs began at 0.75 percent of All Funds receipts in FY 2001, and was fully phased in at 5 percent during FY 2014. DOB determined in November 2016 that the State was in compliance with the statutory caps in the most recent calculation period (FY 2016).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $6.3 billion in FY 2017 to about $443 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected room under the debt cap is dependent on expected growth of 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. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2017	1,199,546	4.00%	47,982	41,642	6,340	3.47%	0.53%	8,030	49,671
FY 2018	1,260,550	4.00%	50,422	46,301	4,121	3.67%	0.33%	6,801	53,102
FY 2019	1,315,311	4.00%	52,612	50,340	2,273	3.83%	0.17%	5,760	56,099
FY 2020	1,376,060	4.00%	55,042	54,177	865	3.94%	0.06%	4,885	59,062
FY 2021	1,438,788	4.00%	57,552	57,108	443	3.97%	0.03%	3,413	60,521
FY 2022	1,503,838	4.00%	60,154	58,937	1,217	3.92%	0.08%	2,784	61,721

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2017	154,031	5.00%	7,702	4,279	3,423	2.78%	2.22%	1,002	5,281
FY 2018	160,410	5.00%	8,020	4,591	3,429	2.86%	2.14%	955	5,546
FY 2019	164,546	5.00%	8,227	5,201	3,027	3.16%	1.84%	1,238	6,439
FY 2020	169,919	5.00%	8,496	5,748	2,748	3.38%	1.62%	1,327	7,075
FY 2021	173,848	5.00%	8,692	6,167	2,526	3.55%	1.45%	1,213	7,380
FY 2022	172,245	5.00%	8,612	6,479	2,133	3.76%	1.24%	738	7,217

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Executive Budget. Below is a summary that highlights each factor and its cumulative impact on the remaining capacity since the Mid-Year Update. These include a change (reduction) to the personal income forecast, additional capital commitments proposed in the Executive Budget, and revised estimates for bond-financed capital spending. Debt capacity amounts continue to assume that SUNY Dormitory facilities lease revenue bonds will be refunded into the new SUNY Dorms Facilities Revenue Bond credit within one year of their call dates. Additional reductions to capital spending are assumed from the Statewide Capital Efficiency Plan that will be implemented as part of the FY 2018 Agency Financial Management Plan. A 5 percent capital spending reduction is assumed on all bond-financed capital spending starting in FY 2019. The impact on the debt cap is shown in the following chart.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY (millions of dollars)						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Mid-Year Update to the FY 2017 Financial Plan	**5,893**	**3,070**	**1,935**	**1,502**	**1,691**	**2,234**
Personal Income Forecast Adjustment	(549)	(514)	(862)	(1,022)	(1,144)	(1,193)
Executive Capital Reestimates	996	2,464	2,746	2,436	2,370	2,969
Executive Capital Adds	0	(899)	(1,951)	(2,850)	(3,603)	(4,242)
Capital Efficiencies - 5% Reduction	0	0	405	799	1,129	1,449
FY 2018 Executive Budget Financial Plan	**6,340**	**4,121**	**2,273**	**865**	**443**	**1,217**

Secured Hospital Program

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

The financial condition of hospitals in the State's Secured Hospital Program continues to deteriorate. Of the remaining financially distressed hospitals, one is experiencing significant operating losses that have impaired its ability to remain current on its loan agreement with DASNY. The debt associated with this hospital was fully paid off on February 15, 2017. 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 $55 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately $30 million in FY 2017, $19 million in FY 2018, and approximately $18 million annually in FY 2019 through FY 2022. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for the hospital that currently is not meeting the terms of its loan agreement with DASNY as mentioned above, a second financially distressed hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, and a third hospital that is now closed. The State has estimated additional exposure of up to $20 million annually, if all financially distressed hospitals failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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

In May 2011, the New York State Supreme Court issued an order 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. The structure of the settlement also increased the likelihood that sufficient proceeds from the transaction would be available to support defeasance of the PIT Bonds by setting a minimum purchase price.

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

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

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

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

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

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

Consensus Revenue Forecast

On March 1, 2017, the Director of the Budget, and all secretaries of the Senate Finance Committee and Assembly Ways and Means Committee, issued a joint report containing a consensus forecast for the economy and projections of certain receipts for the current and ensuing fiscal year. In the consensus forecast report, the parties agreed that receipts over the two-year period (FYs 2017 and 2018) were projected to exceed the Executive Budget forecast by $200 million. The consensus forecast is not reflected in the Updated Financial Plan.

State Financial Plan Projections Fiscal Years 2017 Through 2021

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State Financial Plan Projections – Fiscal Years 2017 Through 2021

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FYs 2017 through FY 2021, with an emphasis on the FY 2018 projections. The projections reflect the impact of the Executive Budget proposal.

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 to highlight relevant aspects of the projections, DOB has adopted the following approaches in summarizing the projections:

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

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

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish, the further removed such estimates and projections are from the date of this Updated Financial Plan. Accordingly, in terms of outyear projections, the first "outyear" of the FY 2018 budget, FY 2019, is the most relevant from a planning perspective.

State Financial Plan Projections Fiscal Years 2017 Through 2021

Summary

The Updated Financial Plan reflects a 1.9 percent annual growth in State Operating Funds, consistent with the expectation of adherence to a 2 percent spending growth benchmark.

The projections for FY 2019 and thereafter set forth in the Updated Financial Plan reflect the savings that DOB estimates would be realized if the current Administration continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled on a distinct line in the Updated Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” The total disbursements in the Updated Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2018, FY 2019, FY 2020, and FY 2021, the projected budget gaps would be higher.

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

General Fund Projections

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes (After Debt Service)	62,969	67,861	70,432	73,908	78,761
Miscellaneous Receipts/Federal Grants	3,799	2,298	2,290	2,175	2,051
Other Transfers	1,222	924	741	726	725
Total Receipts	**67,990**	**71,083**	**73,463**	**76,809**	**81,537**
DISBURSEMENTS					
Local Assistance Grants	44,826	47,247	49,971	52,777	55,400
School Aid	21,055	22,197	23,220	24,288	25,537
Medicaid/EP	12,435	13,485	14,303	15,397	16,288
All Other	11,336	11,565	12,448	13,092	13,575
State Operations	8,253	8,305	8,624	8,889	9,244
Personal Service	6,099	6,015	6,236	6,390	6,717
Non-Personal Service	2,154	2,290	2,388	2,499	2,527
General State Charges	5,491	5,741	6,231	6,689	7,232
Transfers to Other Funds	11,122	11,105	12,023	12,178	11,793
Debt Service	927	946	1,156	1,050	1,115
Capital Projects	3,458	3,517	3,927	3,781	3,076
State Share of Mental Hygiene Medicaid	1,432	1,301	1,231	1,119	1,263
SUNY Operations	996	1,000	997	997	997
All Other	4,309	4,341	4,712	5,231	5,342
Total Disbursements	**69,692**	**72,398**	**76,849**	**80,533**	**83,669**
Use (Reservation) of Fund Balance:	**1,702**	**1,315**	**1,613**	**1,063**	**351**
Community Projects	10	16	0	0	0
Labor Agreements	15	(155)	0	0	0
Undesignated Fund Balance	237	0	0	0	0
Rainy Day Reserve	0	(150)	0	0	0
Monetary Settlements[1]	1,440	1,604	1,613	1,063	351
BUDGET SURPLUS/(GAP) PROJECTIONS[2]	**0**	**0**	**(1,773)**	**(2,661)**	**(1,781)**
Adherence to 2% Spending Benchmark[3]	**n/a**	**n/a**	**2,465**	**4,753**	**6,741**
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**692**	**2,092**	**4,960**

[1] Reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects 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 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes	73,615	78,236	81,454	85,447	90,569
Miscellaneous Receipts/Federal Grants	21,185	19,237	19,078	18,854	18,487
Total Receipts	**94,800**	**97,473**	**100,532**	**104,301**	**109,056**
DISBURSEMENTS					
Local Assistance Grants	64,465	65,955	68,611	71,423	74,058
School Aid (School Year Basis)	24,644	25,605	26,601	27,714	29,013
DOH Medicaid[1]	18,171	19,174	20,238	21,213	21,973
Tobacco Funding of Local Medicaid Takeover	0	(125)	(400)	(400)	(400)
Transportation	4,959	4,988	5,061	5,152	5,220
STAR	3,208	2,606	2,448	2,336	2,278
Higher Education	2,985	2,982	3,152	3,212	3,260
Social Services	2,923	2,915	3,040	3,137	3,153
Mental Hygiene	2,459	2,410	2,834	3,112	3,325
All Other[2]	5,116	5,400	5,637	5,947	6,236
State Operations	18,792	18,599	19,010	19,339	19,831
Personal Service	13,035	12,840	13,104	13,340	13,796
Non-Personal Service	5,757	5,759	5,906	5,999	6,035
General State Charges	7,631	7,940	8,473	8,986	9,584
Pension Contribution	2,457	2,540	2,647	2,761	2,990
Health Insurance	3,682	3,976	4,228	4,512	4,808
All Other	1,492	1,424	1,598	1,713	1,786
Debt Service	5,310	5,566	6,457	7,093	7,398
Capital Projects	2	2	0	0	0
Total Disbursements	**96,200**	**98,062**	**102,551**	**106,841**	**110,871**
Net Other Financing Sources/(Uses)	(425)	(612)	(954)	(754)	(39)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	1,825	1,201	1,200	633	73
General Fund	1,702	1,315	1,613	1,063	351
Special Revenue Funds	136	(111)	(409)	(425)	(273)
Debt Service Funds	(13)	(3)	(4)	(5)	(5)
GENERAL FUND BUDGET SURPLUS/(GAP)[3]	**0**	**0**	**(1,773)**	**(2,661)**	**(1,781)**
Adherence to 2% Spending Benchmark[4]	**n/a**	**n/a**	**2,465**	**4,753**	**6,741**
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**692**	**2,092**	**4,960**

[1] Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The Essential Plan is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total state share Medicaid funding includes the utilization of tobacco MSA proceeds 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 benchmark.

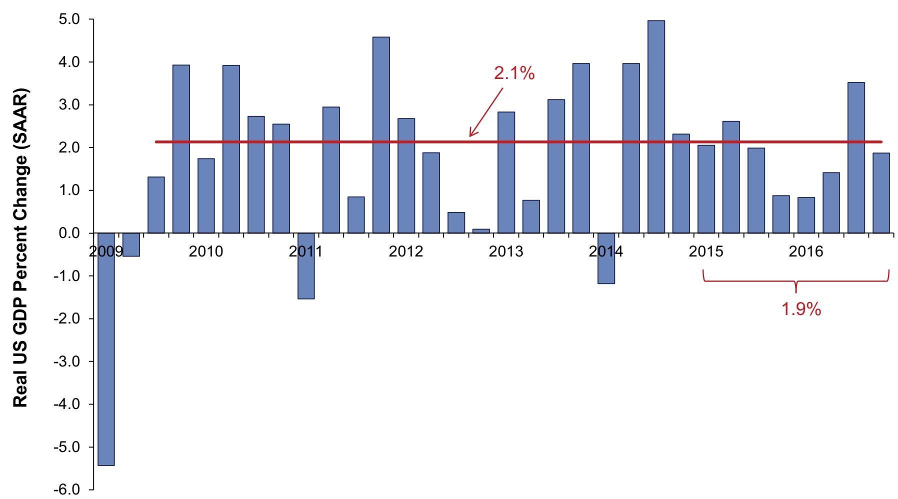
[4] Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, projected budget gaps would be higher.

Economic Backdrop

The National Economy

The U.S. economy recently posted quarterly growth below 2 percent, the fifth such quarter since the third quarter of calendar year 2015. The national economy has averaged 2.1 percent growth since the start of the expansion in the middle of 2009. Below average growth of 1.6 percent in calendar year 2016 is expected to be followed by slightly above average growth of 2.2 percent for calendar year 2017. The components of real U.S. GDP contributing to stronger growth in 2017 include private nonresidential fixed investment, exports, and inventories, all of which exhibited weak growth for much of 2016. However, a strong dollar, a slowing job market, and the uncertainty related to the future of fiscal policy suggest that the economy's historically slow growth path is likely to persist over the near-term.

US Economic Growth



Source: Moody's Analytics.

In January 2017 the national labor market posted its strongest showing since July 2016, with the addition of 237,000 private sector jobs, in seeming contradiction to the recent slower trend. However, an unusually warm January 2017 likely accounted for a significant portion of the monthly increase, with weather-sensitive areas such as construction and retail trade accounting for 82,000 jobs alone; those two sectors accounted for only 36,000 jobs in December 2016. As a result, DOB continues to expect employment to slow further as the expansion matures. Total nonagricultural employment growth of an upwardly revised 1.5 percent is projected for 2017, but this forecast represents a significant deceleration from 1.8 percent growth in 2016.

Consistent with a tightening labor market, average wage growth is expected to post its strongest year since the end of the Great Recession. Moreover, improvement is expected at the low end of the income spectrum, with the minimum wage rising in 20 states at the start of 2017, including New York. Wage growth of 4.5 percent is projected for 2017. Continued solid employment and income growth, along with equity and home price growth, are expected to support real consumer spending growth of 2.6 percent for 2017.

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

	2016 (Actual)	2017 (Forecast)	2018 (Forecast)
Real U.S. Gross Domestic Product	1.6	2.2	2.4
Consumer Price Index (CPI)	1.3	2.6	2.4
Personal Income	3.5	4.4	4.6
Nonagricultural Employment	1.8	1.5	1.3

Source: Moody's Analytics; DOB staff estimates.

Notwithstanding signs that both the European and Chinese economies are improving, the outlook for the global economy remains shaky. Weakness in the rest of the world relative to the U.S. has resulted in a substantial appreciation of the U.S. dollar, which is likely to constrain export and corporate earnings growth going forward. Consequently, DOB forecasts real U.S. export growth to remain subdued. Real U.S. export growth of 2.0 percent is projected for 2017, representing an improvement from the 0.4 percent growth observed in 2016.

Oil prices above $50 per barrel have been sustained since December 2016. Outside of the energy sector, consumer prices related to shelter, medical care, and education have also been on the rise. Consequently, DOB projects consumer price inflation of 2.6 percent for 2017. As expected, the Federal Open Market Committee voted to raise its target range for the federal funds rate to 50 to 75 basis points at the end of 2016 from the existing 25 to 50 basis-point range. But despite inflation advancing at its strongest pace since 2011, DOB expects only two short-term interest rate hikes in 2017. With longer term interest rates holding steady, and the dollar remaining strong relative to its year-ago level, the central bank is expected to be cognizant of the potential for further downward pressure on global demand for U.S. goods and services.

Despite rebounding oil prices helping to buttress investment in both equipment and structures related to domestic oil production, real private nonresidential investment growth has been low, with investment falling 0.4 percent in 2016. Although investment growth is expected to accelerate to 3.6 percent in 2017, growth in private business investment in plant and equipment is expected to remain below 5 percent over the entire span of the forecast horizon, constraining the national economy's capacity for future growth.

Consistent with the Executive Budget Financial Plan forecast, DOB's current baseline U.S. forecast abstracts from any major discontinuity in Federal fiscal policy. However, DOB acknowledges that the anticipation of future Federal fiscal policy changes does influence the forecast to the extent that it has become embedded in current market fundamentals, such as equity prices and interest rates. Nevertheless, the potential for major changes to the fiscal landscape represent both upside and downside risks to this forecast. Policies that substantially widen the federal budget deficit without enhancing productivity growth could result in higher interest rates and, in turn, weaker household and business investment spending than anticipated.

In addition, policies resulting in world trade conflicts could result in even less global growth and diminished demand for U.S. exports relative to current projections. Weaker growth in both U.S. corporate profits and equity market prices could also ensue. In contrast, policies that stimulate more public or private business investment than anticipated could result in stronger growth in both the near-term and the long-term, particularly if those investments raise productivity growth and, hence, the economy's long-term capacity to produce. Finally, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies continues to pose risks, particularly in light of the uncertainty surrounding developments on the fiscal policy side.

The New York State Economy

New York's private sector labor market has slowed against a backdrop of a strong dollar and weak national and global growth. After 10 consecutive quarters of growth above 2 percent, the rate of private job gains fell to 1.9 percent in the second quarter of calendar year 2016, slowing further to an estimated 1.6 percent in the third quarter. As a result, DOB estimates private job growth of 1.8 percent for 2016 as a whole, slowing further to 1.5 percent for 2017.

Market volatility and uncertainty surrounding future policy changes under the new presidential administration appear to have resulted in the withdrawal of many of the initial public offerings (IPOs) that had been scheduled for the end of 2016. The ensuing loss of revenue generating activity led to a downward revision by DOB to finance and insurance sector bonuses for FY 2017, which are now estimated to have fallen 1.7 percent. However, growth in underlying non-bonus wages remains healthy at an estimated 4.6 percent. On balance, total State wage growth for FY 2017 is expected to be 3.8 percent.

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

	FY 2016 (Actual)	FY 2017 (Estimated)	FY 2018 (Forecast)
Personal Income	3.8	3.6	4.8
Wages	4.3	3.8	4.2
Nonagricultural Employment	1.9	1.5	1.3

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

Analysis of withholding data for the fourth quarter of 2016 and the first quarter of 2017 to-date indicates that in anticipation of potentially lower PIT rates at the Federal level, bonus income in excess of $3 billion was likely shifted from the end of 2016 into early 2017. Preliminary data indicate that real estate and financial market transactions may have also been delayed by taxpayers in order to maximize their tax advantage. Consequently, DOB has revised down its estimate for capital gains realizations for 2016 from a decline of 3.0 percent to a decline of 8.3 percent.

Although the State's private-sector labor market is projected to remain strong from a historical perspective, there are many risks to the forecast. All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. Under a still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. Moreover, with federal tax policy in flux, and taxpayers strategically responding to anticipated changes in tax policy, the uncertainty surrounding the forecast for bonuses and various forms of taxable non-wage income is further heightened.

Receipts

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

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

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

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

Overview of the Receipts Forecast

All Funds receipts in FY 2017 are projected to total $154.0 billion, an increase of 0.5 percent from FY 2016 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
Personal Income Tax	47,055	47,309	0.5%	50,683	7.1%	53,089	4.7%	55,994	5.5%	60,059	7.3%
Consumption/Use Taxes	15,725	16,184	2.9%	16,998	5.0%	17,697	4.1%	18,239	3.1%	18,815	3.2%
Business Taxes	7,884	7,847	-0.5%	8,253	5.2%	8,359	1.3%	8,723	4.4%	9,039	3.6%
Other Taxes	2,703	2,272	-15.9%	2,179	-4.1%	2,196	0.8%	2,297	4.6%	2,394	4.2%
Payroll Mobility Tax	1,306	1,361	4.2%	1,421	4.4%	1,487	4.6%	1,562	5.0%	1,630	4.4%
Total State Taxes	**74,673**	**74,973**	**0.4%**	**79,534**	**6.1%**	**82,828**	**4.1%**	**86,815**	**4.8%**	**91,937**	**5.9%**
Miscellaneous Receipts	27,268	26,175	-4.0%	26,611	1.7%	26,209	-1.5%	25,804	-1.5%	24,786	-3.9%
Federal Receipts	51,324	52,885	3.0%	54,265	2.6%	55,511	2.3%	57,302	3.2%	57,125	-0.3%
Total All Funds Receipts	**153,265**	**154,033**	**0.5%**	**160,410**	**4.1%**	**164,548**	**2.6%**	**169,921**	**3.3%**	**173,848**	**2.3%**

State tax receipts are estimated to increase 0.4 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period beyond FY 2017, all tax categories are projected to exhibit growth. The “other taxes” category is an exception in FY 2018 due to tax cuts enacted in 2014, but is expected to resume growth in the long term.

After controlling for the impact of tax law changes, base tax revenue increased 5.5 percent in FY 2016, and is projected to increase by 0.7 percent in FY 2017 and 5.9 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**47,055**	**47,309**	**0.5%**	**50,683**	**7.1%**	**53,089**	**4.7%**	**55,994**	**5.5%**	**60,059**	**7.3%**
Gross Collections	56,600	56,524	-0.1%	60,638	7.3%	64,276	6.0%	68,190	6.1%	71,608	5.0%
Refunds (Incl. State/City Offset)	(9,545)	(9,215)	3.5%	(9,955)	-8.0%	(11,187)	-12.4%	(12,196)	-9.0%	(11,549)	5.3%
GENERAL FUND[1]	**31,957**	**32,274**	**1.0%**	**35,406**	**9.7%**	**37,369**	**5.5%**	**39,660**	**6.1%**	**42,818**	**8.0%**
Gross Collections	56,600	56,524	-0.1%	60,638	7.3%	64,276	6.0%	68,190	6.1%	71,608	5.0%
Refunds (Incl. State/City Offset)	(9,545)	(9,215)	3.5%	(9,955)	-8.0%	(11,187)	-12.4%	(12,196)	-9.0%	(11,549)	5.3%
STAR	(3,335)	(3,208)	3.8%	(2,606)	18.8%	(2,448)	6.1%	(2,336)	4.6%	(2,226)	4.7%
RBTF	(11,763)	(11,827)	-0.5%	(12,671)	-7.1%	(13,272)	-4.7%	(13,998)	-5.5%	(15,015)	-7.3%

[1] Excludes Transfers.

All Funds personal income tax receipts for FY 2017 are projected to be $47.3 billion, an increase of $254 million (0.5 percent) from FY 2016 results. This increase includes growth in withholding and delinquency collections, coupled with a moderate decline in total refunds related to the decrease of the administrative refund cap in January to March 2017. Growth in these categories is partially offset by declines in final returns, extension payments attributable to the 2015 tax year, and estimated payments related to the 2016 tax year.

The following table summarizes, by component, actual receipts for FY 2016 and forecast amounts through FY 2021.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS (millions of dollars)						
	FY 2016 Results	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Receipts						
Withholding	36,549	37,575	39,359	41,214	43,267	44,387
Estimated Payments	16,111	14,976	17,025	18,527	20,175	22,196
Current Year	11,561	10,915	12,379	13,235	14,448	15,767
Prior Year[1]	4,550	4,061	4,646	5,292	5,727	6,429
Final Returns	2,630	2,615	2,836	3,044	3,193	3,403
Current Year	269	287	299	314	329	344
Prior Year[1]	2,360	2,328	2,537	2,730	2,864	3,059
Delinquent	1,310	1,358	1,418	1,491	1,555	1,622
Gross Receipts	56,600	56,524	60,638	64,276	68,190	71,608
Refunds						
Prior Year[1]	5,130	5,235	6,216	6,798	7,388	7,916
Previous Years	618	499	470	495	525	555
Current Year[1]	2,550	1,750	1,749	1,749	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709	479
State/City Offset[1]	675	848	873	898	824	849
Total Refunds	9,545	9,215	9,955	11,187	12,196	11,549
Net Receipts	**47,055**	**47,309**	**50,683**	**53,089**	**55,994**	**60,059**

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

Withholding in FY 2017 is estimated to be $1 billion (2.8 percent) higher than FY 2016 results, driven by weak wage growth. Extension payments related to tax year 2015 declined by $489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 (taxpayers paid a higher percentage of their tax year 2015 liability through estimated payments and a lower percentage through extensions). Estimated payments for tax year 2016 are projected to be $646 million (5.6 percent) lower, primarily due to a decline in net capital gains income. Final return payments and delinquencies are projected to be $15 million (0.6 percent) lower and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $330 million (3.5 percent) includes a $105 million increase (2 percent) in prior (tax year 2015) refunds, a $119 million (19.3 percent) decrease in previous (tax year 2014 and earlier) refunds, an $800 million (31.4 percent) decline in current (tax year 2016) refunds (due to a decrease in the January to March 2017 administrative refund cap), a $312 million (54.6 percent) increase in advanced credit payments related to tax year 2016, and a $173 million (25.6 percent) increase in the state-city offset. The advanced credit payments estimate includes $98 million in payments attributable to the conversion of the STAR homeowners' benefit to a PIT credit.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2017 of $32.3 billion are estimated to increase by $317 million (1 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $11.8 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $50.7 billion are projected to increase by over $3.4 billion (7.1 percent) from FY 2017 estimates. Gross PIT receipts are projected to increase 7.3 percent, reflecting withholding that is projected to grow by $1.8 billion (4.7 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.5 billion (13.4 percent). The moderate but improved growth in withholding is attributable to the proposed surcharge rate extension and stronger bonus growth. Payments from extensions for tax year 2016 are projected to increase by $585 million (14.4 percent), and final returns are expected to increase $221 million (8.5 percent). Delinquencies are projected to increase $60 million (4.4 percent) from the prior year. Total refunds are projected to increase by $740 million (8 percent) from the prior year. Legislative proposals included in the FY 2018 Executive Budget increase withholding by $683 million, current estimated payments related to tax year 2017 by $20 million, and delinquencies by $22 million.

General Fund PIT receipts for FY 2018 of $35.4 billion are projected to increase by nearly $3.1 billion (9.7 percent). RBTF deposits are projected to be $12.7 billion, and the STAR transfer is projected to be $2.6 billion. Proposed legislation within the FY 2018 Executive Budget reduces the STAR transfer by $351 million.

All Funds PIT receipts in FY 2019 are projected to increase by $2.4 billion to $53.1 billion, while General Fund PIT receipts are projected to total nearly $37.4 billion. The projected growth of 4.7 percent in FY 2019 All Funds PIT receipts is driven by the aforementioned proposed surcharge rate extension, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts. On a net basis, legislation included in the FY 2018 Executive Budget is projected to increase FY 2019 collections by nearly $3.2 billion.

All Funds PIT receipts in FY 2020 are projected to increase by $2.9 billion (5.5 percent) to $56 billion, while General Fund PIT receipts are projected to total $39.7 billion.

All Funds income tax receipts are projected to increase by $4.1 billion (7.3 percent) in FY 2021 to reach nearly $60.1 billion, while General Fund PIT receipts are projected to total $42.8 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)											
	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,184**	**2.9%**	**16,998**	**5.0%**	**17,697**	**4.1%**	**18,239**	**3.1%**	**18,815**	**3.2%**
Sales Tax	13,359	13,861	3.8%	14,726	6.2%	15,368	4.4%	15,951	3.8%	16,558	3.8%
Cigarette and Tobacco Taxes	1,251	1,227	-1.9%	1,202	-2.0%	1,180	-1.8%	1,134	-3.9%	1,091	-3.8%
Motor Fuel Tax	503	506	0.6%	505	-0.2%	501	-0.8%	496	-1.0%	492	-0.8%
Highway Use Tax	158	140	-11.4%	87	-37.9%	142	63.2%	142	0.0%	144	1.4%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%	279	2.2%
Medical Marihuana Excise Tax	0	1	0.0%	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Taxicab Surcharge	73	64	-12.3%	64	0.0%	64	0.0%	64	0.0%	64	0.0%
TNC Assessment	0	0	0.0%	16	0.0%	32	100.0%	32	0.0%	32	0.0%
Auto Rental Tax	126	127	0.8%	134	5.5%	141	5.2%	146	3.5%	154	5.5%
GENERAL FUND[1]	**6,819**	**7,082**	**3.9%**	**7,514**	**6.1%**	**7,841**	**4.4%**	**8,109**	**3.4%**	**8,390**	**3.5%**
Sales Tax	6,242	6,479	3.8%	6,891	6.4%	7,193	4.4%	7,467	3.8%	7,752	3.8%
Cigarette and Tobacco Taxes	322	345	7.1%	348	0.9%	357	2.6%	346	-3.1%	336	-2.9%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%	279	2.2%
TNC Assessment	0	0	0.0%	12	0.0%	23	91.7%	23	0.0%	23	0.0%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.2 billion, an increase of $459 million (2.9 percent) from FY 2016 results. Sales tax receipts are estimated to increase $502 million (3.8 percent) from the prior year. Base growth (i.e., absent law changes) of 4.6 percent exceeds cash growth primarily due to agreements between certain mobile telecommunication providers and the State to allow such providers to remit less sales tax for a period in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. Cigarette and tobacco tax collections are estimated to decline $24 million (1.9 percent). This unusually modest decline primarily reflects the decrease in cigar tax refunds to be issued as a result of an Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are estimated to decrease by $18 million (11.4 percent) due to the reduction in registration and decal fees from $19 to $1.50 resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision. Motor fuel tax collections are estimated to increase $3 million (0.6 percent), reflecting slight growth in both taxable motor fuel consumption and diesel fuel consumption. Taxicab surcharge receipts are estimated to decline by $9 million (12.3 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

General Fund sales and use tax receipts are net of deposits to the Local Government Assistance Tax Fund (25 percent), and the Sales Tax Revenue Bond Fund (25 percent), which support debt service payments on bonds issued under the Local Government Assistance Corporation 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 2017 are estimated to total nearly $7.1 billion, an increase of $263 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, tobacco and alcoholic beverage tax trends noted above.

All Funds consumption/use tax receipts for FY 2018 are projected to be $17 billion, an increase of $814 million (5 percent) from FY 2017. The projected $865 million (6.2 percent) increase in sales tax receipts reflects sales tax base growth of 4.1 percent, slightly lower than the prior year. Employment and the number of new auto and light truck sales are projected to grow at a slower pace than in FY 2017. Cash growth exceeds base growth primarily due to the above noted agreement between certain mobile telecommunication providers and the State that ends in FY 2017. The proposed Transportation Network Company (TNC) assessment of 5.5 percent is projected to generate an estimated $16 million in FY 2018. The overall increase in All Funds consumption/use tax receipts is reduced slightly by trend declines in taxable cigarette consumption that have been mitigated by collections from enforcement efforts of the Cigarette Strike Force, and by a decline in highway use tax collections as refunds increase significantly as a result of the court decision noted above.

General Fund consumption/use tax receipts are projected to total $7.5 billion in FY 2018, a $432 million (6.1 percent) increase from FY 2017. The projected increase largely reflects the trends noted above.

All Funds consumption/use tax receipts for FY 2019 are projected to be $17.7 billion, an increase of $699 million (4.1 percent) from FY 2018. The projected $642 million (4.4 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent. FY 2019 represents the first full year impact of the TNC assessment ($32 million). FY 2019 General Fund consumption/use tax receipts are projected to increase to over $7.8 billion, a $327 million (4.4 percent) increase from FY 2018.

All Funds consumption/use tax receipts are projected to increase to over $18.2 billion (3.1 percent growth) in FY 2020 and to $18.8 billion (3.2 percent growth) in FY 2021, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

General Fund consumption/use tax receipts are projected to total $8.1 billion (3.4 percent growth) in FY 2020 and nearly $8.4 billion (3.5 percent growth) in FY 2021, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**7,884**	**7,847**	**-0.5%**	**8,253**	**5.2%**	**8,359**	**1.3%**	**8,723**	**4.4%**	**9,039**	**3.6%**
Corporate Franchise Tax	4,527	4,129	-8.8%	4,687	13.5%	4,669	-0.4%	5,024	7.6%	5,270	4.9%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	753	1.2%	763	1.3%
Insurance Tax	1,580	1,502	-4.9%	1,572	4.7%	1,701	8.2%	1,784	4.9%	1,921	7.7%
Bank Tax	(121)	383	416.5%	190	-50.4%	143	-24.7%	71	-50.3%	0	-100.0%
Petroleum Business Tax	1,124	1,095	-2.6%	1,072	-2.1%	1,102	2.8%	1,091	-1.0%	1,085	-0.5%
GENERAL FUND	**5,647**	**5,571**	**-1.3%**	**5,955**	**6.9%**	**5,972**	**0.3%**	**6,310**	**5.7%**	**6,595**	**4.5%**
Corporate Franchise Tax	3,763	3,334	-11.4%	3,827	14.8%	3,766	-1.6%	4,084	8.4%	4,300	5.3%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%	575	1.1%
Insurance Tax	1,419	1,346	-5.1%	1,407	4.5%	1,521	8.1%	1,597	5.0%	1,720	7.7%
Bank Tax	(129)	323	N/A	162	-49.8%	122	-24.7%	60	-50.8%	0	-100.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2017 are estimated at over $7.8 billion, a decrease of $37 million (0.5 percent) from FY 2016 results. The estimate reflects a combined decrease of $541 million among all non-bank business taxes, partially offset by an increase in the bank tax of $504 million.

Corporate franchise tax receipts are estimated to decrease $398 million (8.8 percent) in FY 2017, reflecting tax year 2016 corporate tax reform tax cuts including a reduction in the business income tax rate from 7.1 percent to 6.5 percent, and the first year of the capital tax base phase-out. Additionally, December 2016 estimated payments from calendar year filers were weak, declining 23 percent from December 2015. These reductions are partially offset by an increase in expected audit receipts of $274 million.

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

Insurance tax receipts for FY 2017 are estimated to decrease $78 million (4.9 percent) from FY 2016 results. Projected growth in insurance tax premiums and a positive prior period adjustment resulting from the resolution of an IRS case is more than offset by the first full year impact of the tax credit for assessments paid to the Life Insurance Guaranty Corporation (LIGC). The LIGC exists to protect policyholders from the insolvency of their life insurers. Audits and refunds are expected to reflect historical trends.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to increase by $504 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments and an increase in audit receipts ($197 million) from FY 2016 results.

Petroleum Business Tax (PBT) receipts are estimated to decrease $29 million (2.6 percent) in FY 2017, primarily due to the 5 percent decrease in the PBT rate index effective January 2016, and the estimated 5 percent decrease effective January 2017. These declines are partially offset by estimated slight growth in both taxable motor fuel and diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.6 billion are estimated to decrease $76 million (1.3 percent) from FY 2016 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 of $8.3 billion are projected to increase by $406 million (5.2 percent) from the current year. The increase in corporation franchise tax receipts of $558 million (13.5 percent) reflects projected growth in corporate profits following nearly full implementation of corporate tax reform changes and tax cuts as well as higher audit receipts. The corporation and utilities tax receipts decline of $6 million (0.8 percent) is attributable to a reduction in receipts from Section 181 which was repealed as part of Corporate Tax Reform. This reduction is partially offset by an increase in projected receipts from regulated public utilities.

Insurance tax receipts for FY 2018 of $1.6 billion are projected to increase $70 million (4.7 percent) from the current year. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to year-over-year growth. Bank tax receipts are projected to decrease by $193 million (50.4 percent), due to lower projected audit receipts. PBT receipts are projected to decline $23 million (2.1 percent) in FY 2018, primarily due to the estimated 5 percent decrease in the PBT rate index effective January 2017 noted above and a projected slight decline in taxable motor fuel consumption. This would be partially offset by the projected 5 percent increase in the PBT rate index effective January 2018 and projected growth in diesel fuel consumption.

General Fund business tax receipts for FY 2018 of $6 billion are projected to increase $384 million (6.9 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of $8.4 billion are projected to increase by $106 million (1.3 percent) from the previous year. The projection primarily reflects insurance tax receipts growth. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to the year-over-year increase. This increase is partially offset by a combined decrease of $23 million among all other business taxes.

All Funds business tax receipts for FY 2020 and FY 2021 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. All Funds business tax receipts are projected to increase to $8.7 billion (4.4 percent growth) in FY 2020, and increase to $9 billion (3.6 percent growth) in FY 2021. General Fund business tax receipts are projected to increase to $6.3 billion (5.7 percent growth) in FY 2020 and $6.6 billion (4.5 percent growth) in FY 2021.

Other Taxes

OTHER TAXES (millions of dollars)											
	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,272**	**-15.9%**	**2,179**	**-4.1%**	**2,196**	**0.8%**	**2,297**	**4.6%**	**2,394**	**4.2%**
Estate Tax	1,521	1,114	-26.8%	949	-14.8%	911	-4.0%	962	5.6%	1,007	4.7%
Gift Tax	0	0	0.0%	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%	0	0.0%
Real Estate Transfer Tax	1,163	1,138	-2.1%	1,210	6.3%	1,265	4.5%	1,315	4.0%	1,367	4.0%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,134**	**-26.4%**	**969**	**-14.6%**	**931**	**-3.9%**	**982**	**5.5%**	**1,027**	**4.6%**
Estate Tax	1,521	1,114	-26.8%	949	-14.8%	911	-4.0%	962	5.6%	1,007	4.7%
Gift Tax	0	0	0.0%	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%	0	0.0%
Pari-Mutuel Taxes	17	17	0.0%	17	0.0%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be nearly $2.3 billion, a decrease of $431 million (15.9 percent) from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $407 million (26.8 percent) from the continued phase-in of the increased filing threshold, and an expected decline in the number of payments from super large estates (over $25 million) to average historical levels. Additionally, real estate transfer tax receipts are projected to decrease $25 million (2.1 percent) primarily due to the combination of a small estimated decrease in the volume of transactions in New York City and a large estimated decrease in housing starts statewide. The transaction decline is largely due to a building permit shift from FY 2017 into FY 2016 caused by the uncertainty that surrounded the extension of New York City property tax abatement.

General Fund other tax receipts are estimated to be slightly above $1.1 billion in FY 2017, a $406 million (26.4 percent) decrease from FY 2016 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 are projected to be just under $2.2 billion, a decrease of $93 million (4.1 percent) from the current year. Estate tax receipts are projected to decrease by $165 million (14.8 percent) reflecting the continued phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $72 million (6.3 percent), reflecting projected growth in housing prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $165 million (14.6 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 are projected to be nearly $2.2 billion, a $17 million (0.8 percent) increase from FY 2018. Estate tax receipts are projected to decrease by $38 million (4 percent) reflecting the incremental impact of the increased filing threshold that will be effective on April 1, 2017, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by $55 million (4.5 percent), reflecting projected growth in housing starts and prices. General Fund other tax receipts for FY 2019 are projected to decrease by $38 million (3.9 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 and FY 2021 reflect projected trends in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to increase by $101 million (4.6 percent growth) in FY 2020, and by $97 million (4.2 percent growth) in FY 2021. General Fund other tax receipt estimates for FY 2020 are projected to increase by 5.5 percent and increase by 4.6 percent in FY 2021, reflecting the household net worth trends noted above.

Miscellaneous Receipts and Federal Grants

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

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
ALL FUNDS	**27,268**	**26,175**	**-4.0%**	**26,611**	**1.7%**	**26,209**	**-1.5%**	**25,804**	**-1.5%**	**24,786**	**-3.9%**
General Fund	5,842	3,799	-35.0%	2,298	-39.5%	2,290	-0.3%	2,175	-5.0%	2,051	-5.7%
Special Revenue Funds	17,117	17,058	-0.3%	16,622	-2.6%	16,472	-0.9%	16,362	-0.7%	16,126	-1.4%
Capital Projects Funds	3,822	4,829	26.3%	7,232	49.8%	6,989	-3.4%	6,808	-2.6%	6,157	-9.6%
Debt Service Funds	487	489	0.4%	459	-6.1%	458	-0.2%	459	0.2%	452	-1.5%

All Funds miscellaneous receipts are estimated to total $26.2 billion in FY 2017, a decrease of 4.0 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS Update. In addition to the impact of monetary settlements, declining FY 2017 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to increase to $26.6 billion (1.7 percent growth) in FY 2018, largely reflecting the projected timing of bond proceed reimbursement for capital expenditures, and remain relatively flat in FY 2019 and FY 2020.

FEDERAL GRANTS (millions of dollars)	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
ALL FUNDS	**51,324**	**52,885**	**3.0%**	**54,265**	**2.6%**	**55,511**	**2.3%**	**57,302**	**3.2%**	**57,125**	**-0.3%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	49,105	50,651	3.1%	52,099	2.9%	53,347	2.4%	55,082	3.3%	54,893	-0.3%
Capital Projects Funds	2,146	2,161	0.7%	2,093	-3.1%	2,091	-0.1%	2,147	2.7%	2,159	0.6%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are expected to grow to $57.1 billion by FY 2021, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

Many of the policies that drive Federal aid may be subject to change with the new presidential administration and Congress that began in January 2017. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress. If Federal funding to the State were reduced, this could have a materially adverse impact on the Updated Financial Plan.

Disbursements

Total disbursements in FY 2018 are estimated at $72.3 billion in the State's General Fund (including transfers) and $98.1 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of projected annual spending growth.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $66 billion in FY 2018, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

			Forecast			
	FY 2016 Results	FY 2017 Current	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
MEDICAID						
Individuals Covered	6,168,006	6,217,239	6,284,551	6,318,208	6,335,036	6,343,450
- Essential Plan	466,614	713,091	723,020	727,880	730,483	733,095
- Child Health Plus (Caseload)	275,854	305,560	309,866	314,232	318,659	323,149
State Takeover of County/NYC Costs[1]	$2,545	$2,891	$3,228	$3,565	$3,889	$4,212
EDUCATION						
School Aid (School Year Basis Funding)	$23,390	$24,644	$25,605	$26,601	$27,714	$29,013
HIGHER EDUCATION						
Public Higher Education Enrollment (FTEs)	562,873	562,873	574,523	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	289,601	285,920	293,473	N/A	N/A	N/A
PUBLIC ASSISTANCE						
Family Assistance Program (Families)	246,080	234,902	230,387	227,493	224,803	222,161
Safety Net Program (Families)	124,487	123,264	121,194	119,638	118,217	116,832
Safety Net Program (Singles)	202,153	204,947	207,139	209,728	212,134	214,779
MENTAL HYGIENE						
OMH Community Beds	42,151	43,077	44,526	46,957	48,057	48,405
OPWDD Community Beds	42,314	42,737	43,165	43,596	44,032	44,472
OASAS Community Beds	13,858	14,074	14,140	14,181	14,231	14,266
Total	98,323	99,888	101,831	104,734	106,320	107,143
PRISON POPULATION	52,800	51,500	51,000	N/A	N/A	N/A

[1] Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, and later phased-out completely as of calendar year 2015.

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to increase by $961 million (3.9 percent) in SY 2018, including a $428 million Foundation Aid increase. A Community Schools set-aside of $150 million within Foundation Aid, a $50 million increase from the prior year, provides funds to facilitate the transformation of schools into community hubs offering expanded services to children and their families. In addition, another $333 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Executive Budget Financial Plan also proposes $50 million for new competitive grants, led by $35 million to expand after-school programs targeted towards low-income students within school districts in the Empire State Poverty Reduction Initiative (ESPRI). In addition, the Executive Budget Financial Plan continues to reflect $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

School Aid is projected to increase by an additional $996 million (3.9 percent) in SY 2019, consistent with estimated personal income growth.

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

	SY 2017	SY 2018	Change	SY 2019	Change	SY 2020	Change	SY 2021	Change
Total	24,644	25,605	961	26,601	996	27,714	1,113	29,013	1,299
			3.9%		3.9%		4.2%		4.7%

[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 multi-year projected sources of spending on a State fiscal year basis.

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

	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**24,389**	**25,639**	**5.1%**	**26,588**	**3.7%**	**27,693**	**4.2%**	**28,949**	**4.5%**
General Fund Local Assistance	21,055	22,196	5.4%	23,220	4.6%	24,288	4.6%	25,537	5.1%
Core Lottery Aid	2,360	2,395	1.5%	2,294	-4.2%	2,288	-0.3%	2,291	0.1%
VLT Lottery Aid	953	843	-11.5%	814	-3.4%	857	5.3%	861	0.5%
Commercial Gaming - VLT Offset	8	124	1450.0%	144	16.1%	102	-29.2%	97	-4.9%
Commercial Gaming	13	81	523.1%	116	43.2%	158	36.2%	163	3.2%

State fiscal year spending for School Aid is projected to total $25.6 billion in FY 2018. Over the multi-year Financial Plan, an increasing share of School Aid spending is projected to be financed by commercial gaming revenues as opposed to traditional core lottery sales as described in greater detail below. In addition to State aid, school districts currently receive more than $3 billion annually in Federal aid.

State aid payments for School Aid have been nominally supplemented by commercial gaming revenues in FY 2017, following the State's receipt of one-time licensing fees in FY 2016. These receipts are expected to increase in FY 2018 and the outyears, with gaming revenues shared by the State and commercial gaming facilities. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Location Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Location Board in October 2015 and approved by the State Gaming Commission in August 2016. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources becomes a General Fund obligation.

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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,199**	**2,176**	**-1.0%**	**2,287**	**5.1%**	**2,384**	**4.2%**	**2,513**	**5.4%**
Special Education	1,315	1,341	2.0%	1,450	8.1%	1,568	8.1%	1,688	7.7%
All Other Education	884	835	-5.5%	837	0.2%	816	-2.5%	825	1.1%

The State helps fund special education services for approximately 500,000 students with disabilities, from ages 3 to 21. Major programs under the Office of Prekindergarten through Grade 12 address specialized student needs or reimburse school districts for education-related services, including the school breakfast and lunch programs, after-school programs and other educational grant programs. Cultural education includes aid for operating expenses for the major cultural institutions of the State Archives, 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.

FY 2018 Special Education spending is projected to increase by 2.0 percent. A projected decline in All Other Education spending is primarily attributable to the expiration of a two-year appropriation to reimburse nonpublic schools for State-mandated services in prior years. However, this change is partially offset by increased payments to charter schools, as well as an increase in facilities aid.

Continued growth in FY 2019 and beyond for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs, as well as projected enrollment and cost growth in preschool and summer school special education programs.

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 $65,500 exemption in FY 2018. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate share of projected FY 2018 program costs are: the basic school property tax exemption for homeowners with incomes under $500,000 (59 percent); the enhanced school property tax exemption for senior citizen homeowners with incomes under $86,000 (30 percent); and a rate reduction benefit for income-eligible resident New York City personal income taxpayers (11 percent). The FY 2018 Executive Budget proposes to convert the New York City PIT rate reduction benefit into a PIT tax credit, which will reduce and eventually eliminate it as a component of State Operating Funds spending. This proposed change would have 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 a pre-paid refundable PIT credit program, with this change applying to first-time homebuyers and to homeowners who move. Likewise, this change will have 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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,208**	**2,606**	**-18.8%**	**2,448**	**-6.1%**	**2,336**	**-4.6%**	**2,278**	**-2.5%**
Total STAR Program Costs	3,393	3,080	-9.2%	3,351	8.8%	3,336	-0.4%	3,382	1.4%
Total Personal Income Credit	(185)	(474)	-156.2%	(903)	-90.5%	(1,000)	-10.7%	(1,104)	-10.4%
Basic Exemption	1,744	1,661	-4.8%	1,599	-3.7%	1,526	-4.6%	1,487	-2.6%
Gross Costs	1,808	1,785		1,780		1,761		1,780	
Personal Income Credit	(64)	(124)		(181)		(235)		(293)	
Enhanced (Senior) Exemption	936	890	-4.9%	849	-4.6%	810	-4.6%	791	-2.3%
Gross Costs	970	956		945		935		946	
Personal Income Credit	(34)	(66)		(96)		(125)		(155)	
New York City PIT	528	55	-89.6%	0	-100.0%	0	0.0%	0	0.0%
Gross Costs	615	339		626		640		656	
Personal Income Credit	(87)	(284)		(626)		(640)		(656)	

Much of the spending decline projected for FY 2018 is due to a change in the timing as to when the NYC rate reduction benefit is paid out, upon conversion to a PIT credit. Further reductions in STAR spending will be achieved by a cap on the annual growth in the exemption benefit (which would be capped at a flat 0 percent), and by making enrollment in the Income Verification Program mandatory for enhanced beneficiaries. Proposed STAR actions, as well as STAR actions enacted with the FY 2017 budget, will result in reduced revenues in addition to the changes in spending noted above. Projected revenue reductions will increase over the course of the Updated Financial Plan as STAR actions are implemented, in particular those 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 HESC.

HIGHER EDUCATION (millions of dollars)	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,985	2,982	-0.1%	3,152	5.7%	3,212	1.9%	3,260	1.5%
City University	**1,454**	**1,395**	**-4.1%**	**1,475**	**5.7%**	**1,501**	**1.8%**	**1,526**	**1.7%**
Senior Colleges	1,206	1,143	-5.2%	1,225	7.2%	1,251	2.1%	1,276	2.0%
Community College	248	252	1.6%	250	-0.8%	250	0.0%	250	0.0%
Higher Education Services	**1,022**	**1,104**	**8.0%**	**1,185**	**7.3%**	**1,220**	**3.0%**	**1,243**	**1.9%**
Tuition Assistance Program	954	990	3.8%	1,012	2.2%	1,022	1.0%	1,030	0.8%
Scholarships/Awards	56	102	82.1%	161	57.8%	186	15.5%	201	8.1%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**509**	**483**	**-5.1%**	**492**	**1.9%**	**491**	**-0.2%**	**491**	**0.0%**
Community College	504	478	-5.2%	487	1.9%	486	-0.2%	486	0.0%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 403,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 324,000 students. State funds are used to support a significant portion of SUNY and CUNY operations, including employee fringe benefit costs. The State also provides a sizeable benefit to CUNY and SUNY by paying the debt service on bond-financed capital projects at the university systems. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.3 billion in FY 2018, an increase of $102 million from FY 2017 levels (not reflected in annual spending totals for the university systems).

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

In total, spending is projected to remain roughly even from FY 2017 to FY 2018. Decreases in spending reflect a projected enrollment decline at SUNY community colleges, changes in the timing of certain CUNY payments in FY 2018, and the sale of certain CUNY building assets. This is offset in FY 2018 by new higher education initiatives. The Excelsior Scholarship program will allow students of families making up to $125,000 per year to attend college tuition-free at all public universities in New York State. Enrollment growth associated with the Excelsior Scholarship program will also drive additional spending in community college operating aid and student financial assistance through TAP. In addition to the Excelsior Scholarship program, the FY 2018 Executive Budget provides student financial assistance to certain eligible undocumented immigrant students pursuing higher education in New York State through implementation of the DREAM Act.

Health Care

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

DOH is also engaged in a multi-year initiative to implement the DSRIP program through an approved Federal waiver amendment to reinvest $8 billion in Federal savings generated by the MRT reforms. The DSRIP program will promote community-level collaborations and focus on system reform, specifically a goal to achieve 25 percent reduction in avoidable hospital use over five years. The Executive 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, the Federal government, and local governments. Eligible services include inpatient hospital care, outpatient hospital services, clinics, nursing homes, managed care, prescription drugs, home care and services provided in a variety of community-based settings (including mental health, substance abuse treatment, developmental disabilities services, school-based services and foster care services).

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

The Updated Financial Plan reflects the continuation of the Medicaid spending cap through FY 2019, 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 for FY 2018. Reflecting projected medical CPI growth, DOB currently forecasts allowable cap growth at 3.1 percent in FY 2019, and has updated forecast projections to assume growth of 2.9 percent in FY 2020 and 2.8 percent in FY 2021.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Global Medicaid Cap[1]	**17,692**	**18,259**	**18,825**	**19,371**	**19,914**
Annual % Change		3.2%	3.1%	2.9%	2.8%

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Department of Health Medicaid	17,842	18,915	19,828	20,796	21,549
Local Assistance	17,505	18,757	19,941	20,907	21,657
State Operations	337	283	287	289	292
MSA Payments (Share of Local Growth)[2]	0	(125)	(400)	(400)	(400)
Other State Agency Medicaid Spending	4,460	4,403	4,621	4,822	5,024
Mental Hygiene	4,313	4,257	4,470	4,667	4,860
Foster Care	97	96	101	105	114
Education	50	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,302**	**23,318**	**24,449**	**25,618**	**26,573**
Annual $ Change		1,016	1,131	1,169	955
Annual % Change		4.6%	4.9%	4.8%	3.7%
Essential Plan[3]	**714**	**477**	**361**	**380**	**396**

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

[3] 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 entitled "HCRA Financial Plan.")

DEPARTMENT OF HEALTH MEDICAID[1,2] (millions of dollars)	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS	18,556	19,392	4.5%	20,189	4.1%	21,176	4.9%	21,945	3.6%
General Fund - DOH Medicaid Local	11,769	13,068	11.0%	14,006	7.2%	15,091	7.7%	15,972	5.8%
DOH Medicaid	10,048	10,889	8.4%	11,640	6.9%	12,283	5.5%	12,938	5.3%
Mental Hygiene - Global Cap Adjustment[3]	1,125	1,314	16.8%	1,270	-3.3%	1,270	0.0%	1,270	0.0%
Minimum Wage	44	255	479.5%	579	127.1%	838	44.7%	881	5.1%
Local Growth Takeover (Zero Growth Phase-in)[4]	552	735	33.2%	917	24.8%	1,100	20.0%	1,283	16.6%
MSA Payments (Share of Local Growth)[5]	0	(125)	0.0%	(400)	-220.0%	(400)	0.0%	(400)	0.0%
General Fund - DOH Medicaid State Ops	337	283	-16.0%	287	1.4%	289	0.7%	292	1.0%
General Fund - Essential Plan	714	477	-33.2%	361	-24.3%	380	5.3%	396	4.2%
Local Assistance	666	417	-37.4%	297	-28.8%	306	3.0%	316	3.3%
State Operations	48	60	25.0%	64	6.7%	74	15.6%	80	8.1%
Other State Funds - DOH Medicaid Local	5,736	5,564	-3.0%	5,535	-0.5%	5,416	-2.1%	5,285	-2.4%
HCRA Financing	3,932	3,840	-2.3%	3,811	-0.8%	3,693	-3.1%	3,561	-3.6%
Indigent Care Support	952	892	-6.3%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	852	832	-2.3%	832	0.0%	831	-0.1%	832	0.1%

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

2 Does not include Medicaid spending in other State agencies, transfers, or the local government share of total Medicaid program spending.

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

4 As of County Year 2015 the full share of local Medicaid growth has been financed with State resources.

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

The FY 2018 Executive Budget Financial Plan includes $382 million in annual savings through the shift of additional OPWDD-related Medicaid expenses to the 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 actions include savings associated with proposals to collaborate with New York City to increase Medicaid claiming levels for school supportive health services; the establishment of a benchmark price for high-cost pharmaceuticals; utilization of BIP funds to support Federal wage requirements; a requirement for Medicare enrollment among Medicaid beneficiaries who are dually eligible for both programs, with Medicare providing the first level of insurance coverage; and an increase to the costs shared by certain beneficiaries within the EP program, whereby such individuals would be required to contribute a monthly premium indexed to grow annually to the rate of the medical component of the CPI.

The FY 2018 Executive Budget Financial Plan includes authorization to use MSA payments to fund a portion of the non-Federal share of annual Medicaid growth, which the State pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but is expected to 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 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
State Share Support	18,556	19,517	20,589	21,576	22,345
State Funds Medicaid Disbursements	18,556	19,392	20,189	21,176	21,945
MSA Payments (Local Growth)	0	125	400	400	400

The FY 2018 Executive Budget Financial Plan includes the cost of Medicaid support associated with the regionally-based multi-year phase-in of statewide minimum wage increases, 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 Westchester, New York, Nassau, and Suffolk counties will be increased commensurate to the schedule of statutory minimum wage increases.[14] The impact of these Minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by $44 million in FY 2017; $255 million in FY 2018; $579 million in FY 2019; $838 million in FY 2020; and $881 million in FY 2021.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to exceed 6.2 million by the end of FY 2017, a slight increase from FY 2016 caseload of nearly 6.1 million. This moderate increase is in part driven by the continued transition of individuals from Medicaid to EP program enrollment.

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. Financial Plan savings associated with the Medicaid program are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap, as noted above.

Many of the policies that drive Federal aid are subject to change with the new presidential administration and Congress. It is not possible at this time to predict the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress.

[14] Home health care workers in these counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels ($4.09 for New York; $3.22 for Westchester, Nassau, and Suffolk), resulting in total compensation which would have otherwise 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.

Essential Plan (EP)

The EP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State to participate in the EP, which includes health insurance coverage for certain legally residing immigrants previously receiving State-only Medicaid coverage. Individuals who meet the EP eligibility standards are enrolled through the NYSOH health benefit exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 90 percent of program expenditures are expected to be paid by the Federal government.

ESSENTIAL PLAN (millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL ALL FUNDS SPENDING	**3,731**	**4,224**	**13.2%**	**4,466**	**5.7%**	**4,858**	**8.8%**	**5,338**	**9.9%**
State Operating Funds	**714**	**477**	**-33.2%**	**361**	**-24.3%**	**380**	**5.3%**	**396**	**4.2%**
Local Assistance	666	417	-37.4%	297	-28.8%	306	3.0%	316	3.3%
State Operations	48	60	25.0%	64	6.7%	74	15.6%	80	8.1%
Federal Operating Funds	**3,017**	**3,747**	**24.2%**	**4,105**	**9.6%**	**4,478**	**9.1%**	**4,942**	**10.4%**

The Updated Financial Plan includes a sharp increase in FY 2017 program spending due to increased enrollment levels, with gradual declines in State funded costs through FY 2019. Increased program costs associated with rising enrollment levels are anticipated to be partially or fully offset in future years from Federal resources, as growth in the NYSOH index premium that is linked to Federal Basic Health Plan Trust Fund contribution is expected to exceed the growth rate of State-funded EP premium reimbursement. The Federal match percentage is forecast to increase from 81 percent in FY 2017 to 93 percent in FY 2021, in recognition of the anticipated growth in the NYSOH index premium.

The State's costs associated with the EP program and related savings are managed within the total available resources of the Medicaid Global Cap. This includes a portion of 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 the FY 2018 Executive Budget, additional program savings with the Global Cap are anticipated from a proposal which would require certain beneficiaries of the EP program to contribute a monthly premium toward the cost of coverage, as well as an increase to co-payments at the point of service. Beginning in 2018, premium contributions will be indexed to grow at an annual rate equal to the medical component of the CPI.

Many of the policies that drive Federal aid are subject to change with the new presidential administration and Congress. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress.

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. The State spending projections do not include the county share of public health costs. In addition, a significant portion of HCRA spending is included under the Public Health budget.

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,620**	**1,575**	**-2.8%**	**1,582**	**0.4%**	**1,735**	**9.7%**	**1,916**	**10.4%**
Public Health	**1,495**	**1,455**	**-2.7%**	**1,457**	**0.1%**	**1,605**	**10.2%**	**1,781**	**11.0%**
Child Health Plus	222	235	5.9%	250	6.4%	380	52.0%	537	41.3%
General Public Health Work	194	187	-3.6%	178	-4.8%	182	2.2%	186	2.2%
EPIC	132	133	0.8%	128	-3.8%	128	0.0%	128	0.0%
Early Intervention	173	171	-1.2%	159	-7.0%	159	0.0%	159	0.0%
HCRA Program	380	321	-15.5%	322	0.3%	326	1.2%	331	1.5%
All Other	394	408	3.6%	420	2.9%	430	2.4%	440	2.3%
Aging	**125**	**120**	**-4.0%**	**125**	**4.2%**	**130**	**4.0%**	**135**	**3.8%**

The Updated Financial Plan includes an initiative to consolidate HCRA funded programs with other public health programs within the General Fund, restructuring the consolidated programs to add flexibility, while also achieving annual savings of $25 million through a 20 percent overall funding reduction. This proposal is expected to allow DOH to ensure sufficient funding is available to support and prioritize ongoing and emerging health care needs.

The FY 2018 Executive Budget includes a reduction of GPHW reimbursement to New York City, from 36 percent to 29 percent, in order to improve the distribution balance of GPHW funding across the State. This proposal is expected to generate savings of $11 million in FY 2018, with full annual savings of $22 million thereafter.

The FY 2018 Executive Budget includes a proposal to require commercial insurers to pay for EI services in an effort to create effective payment systems by increasing the timeliness and volume of provider payments. This is expected to result in savings of $4 million in FY 2018, with recurring annual savings of $14 million. These savings will mitigate baseline cost increases associated with growing enrollment levels.

CHP spending is anticipated to increase in FY 2020, reflecting the scheduled expiration of enhanced Federal support currently provided through the ACA.

Spending for Aging reflects the use of available Federal BIP funds beginning in FY 2018 to support the expansion of the NY Connects/No Wrong Door program.

HCRA Financial Plan

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

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

HCRA FINANCIAL PLAN FY 2017 THROUGH FY 2021
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
OPENING BALANCE	**78**	**0**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,727**	**5,702**	**5,728**	**5,750**	**5,711**
Surcharges	3,231	3,233	3,293	3,353	3,412
Covered Lives Assessment	1,124	1,110	1,110	1,110	1,045
Cigarette Tax Revenue	882	854	823	788	755
Hospital Assessments	404	424	424	424	424
NYC Cigarette Tax Transfer/Other	86	81	78	75	75
TOTAL DISBURSEMENTS	**5,805**	**5,702**	**5,728**	**5,750**	**5,711**
Medicaid Assistance Account[1]	3,932	3,840	3,811	3,693	3,561
Medicaid Costs	*3,735*	*3,643*	*3,614*	*3,496*	*3,364*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	952	892	892	892	892
HCRA Program Account	389	330	330	335	339
Child Health Plus	226	238	253	383	541
Elderly Pharmaceutical Insurance Coverage	144	145	140	140	140
NYSOH Health Benefit Exchange[1]	0	66	84	86	88
SHIN-NY/APCD	30	40	40	40	0
All Other	132	151	178	181	150
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(78)**	**0**	**0**	**0**	**0**
CLOSING BALANCE	**0**	**0**	**0**	**0**	**0**

[1] In FY 2017, NYSOH spending will be financed with available HCRA resources through the Medicaid program.

Total HCRA receipts are forecast to grow moderately through FY 2020 in relation to higher surcharge collections generated from continued growth in utilization levels. Relative to previous assumptions, and based on experience to date, this growth has been reflected in the FY 2018 Executive Budget Financial Plan through additional surcharge collections of $25 million in FY 2018 through FY 2021. Covered lives revenue has also been revised upward to recognize an additional $65 million of resources, in relation to utilization for certain public health programs and the extension of the reconciliation suspension, in FYs 2018 through 2020. Cigarette taxes have been revised upward by $2 million in each year based on collections to date.

For the current year, surcharge and covered lives revenue collections have been increased by $85 million and $45 million, respectively, to reflect continued strength in current year collections.

The level of annual growth forecast for total HCRA revenue through the remainder of the multi-year planning period mainly reflects increases consistent with historic collection patterns. Continued outyear declines for cigarette tax collections, attributable to declining taxable consumption, partly offset total HCRA receipts growth.

DOH's proposal to consolidate certain public health programs result in the shift of approximately $52 million of HCRA-funded programs to the General Fund, which will then be combined with other existing public health programs to generate net Financial Plan savings of $25 million annually through the creation of more flexible and efficient health care funding access. Additionally, $21 million in funding for the Roswell Park Cancer Institute will be shifted over into the Capital Projects Fund. Funding for the QHP portion of the NYSOH health benefit exchange, which will shift to HCRA from the Medicaid budget, will be reduced by $17 million in FY 2018 through the utilization of additional available Federal resources.

The Executive Budget also includes a three-year extension of program support, estimated at $40 million in each year, for the SHIN-NY/APCD infrastructure development initiative to improve the informational and data capabilities associated with claiming records.

Over the multi-year Financial Plan period, the most significant area of spending growth is reflected in the CHP program, as the enhanced level of Federal resources provided through the ACA is scheduled to expire after September 30, 2019.

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

Mental Hygiene

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

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

MENTAL HYGIENE
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,459**	**2,410**	**-2.0%**	**2,834**	**17.6%**	**3,112**	**9.8%**	**3,325**	**6.8%**
People with Developmental Disabilities	**2,085**	**2,190**	**5.0%**	**2,360**	**7.8%**	**2,531**	**7.2%**	**2,678**	**5.8%**
Residential Services	1,393	1,464	5.1%	1,577	7.7%	1,691	7.2%	1,790	5.9%
Day Programs	607	637	4.9%	687	7.8%	736	7.1%	780	6.0%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	68	4.6%	73	7.4%	80	9.6%	82	2.5%
Mental Health	**1,186**	**1,202**	**1.3%**	**1,393**	**15.9%**	**1,478**	**6.1%**	**1,530**	**3.5%**
Adult Local Services	962	974	1.2%	1,142	17.2%	1,207	5.7%	1,249	3.5%
Children Local Services	224	228	1.8%	251	10.1%	271	8.0%	281	3.7%
Alcohol and Substance Abuse	**312**	**331**	**6.1%**	**350**	**5.7%**	**372**	**6.3%**	**386**	**3.8%**
Outpatient/Methadone	119	126	5.9%	134	6.3%	142	6.0%	147	3.5%
Residential	125	133	6.4%	140	5.3%	149	6.4%	155	4.0%
Prevention and Program Support	60	63	5.0%	67	6.3%	71	6.0%	74	4.2%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	10	0.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,584**	**3,724**	**3.9%**	**4,104**	**10.2%**	**4,382**	**6.8%**	**4,595**	**4.9%**
Other Adjustments	**(1,125)**	**(1,314)**	**-16.8%**	**(1,270)**	**3.3%**	**(1,270)**	**0.0%**	**(1,270)**	**0.0%**
Global Cap Adjustment	(1,125)	(1,314)	-16.8%	(1,270)	3.3%	(1,270)	0.0%	(1,270)	0.0%

Local assistance spending accounts for approximately 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 7.8 percent annually. The main factors driving this level of growth are enhancing community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; and funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The FY 2018 Executive Budget provides approximately $140 million in increased local assistance funding for mental hygiene agencies. The spending increase is largely related to new community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system, including funding to promote access to vital supports and services for individuals aging out of their educational settings or moving from home, community reinvestment for individuals relocating from institutional settings, the expansion of the Systemic Therapeutic Assessment Respite and Treatment (START) model to downstate and funding to support the direct cost of minimum wage increases; transition of new residential beds opening in the mental health provider community; and funding in OASAS to address the heroin and opioid crisis.

This funding increase is offset by technical adjustments to the Medicaid Global Cap ($189 million), 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.

State Funds local assistance spending for mental hygiene services is expected to increase in FY 2019 relative to the current and budget year projections. This FY 2019 spending growth is unrelated to program enhancements or trends, and primarily reflects the impact of expiring Federal BIP resources and the timing of payment recoveries with mental health service providers.

The Executive Budget Financial Plan reflects state operations savings associated with the transition of certain State-operated inpatient and supported residential placements to integrated community-based settings where individual service needs can be sized more appropriately and provided more cost-efficiently, as noted above.

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,222**	**1,324**	**8.3%**	**1,347**	**1.7%**	**1,358**	**0.8%**	**1,361**	**0.2%**
SSI	655	658	0.5%	661	0.5%	663	0.3%	667	0.6%
Public Assistance Benefits	454	538	18.5%	547	1.7%	547	0.0%	544	-0.5%
Public Assistance Initiatives	19	24	26.3%	33	37.5%	33	0.0%	32	-3.0%
All Other	94	104	10.6%	106	1.9%	115	8.5%	118	2.6%

OTDA spending for SSI is projected to increase between FY 2017 and FY 2018 and to continue to increase gradually over the course of the multi-year Financial Plan due to updated caseload projections. Public assistance benefits spending is projected to increase from FY 2017 to FY 2018 based on an update to DOB's caseload models, with DOB projecting a total of 558,720 recipients in FY 2018. Approximately 230,387 families are expected to receive benefits through the Family Assistance program in FY 2018, a decrease of 1.9 percent from FY 2017. In the Safety Net program an average of 121,194 families are expected to be helped in FY 2018, a decrease of 1.7 percent from FY 2017. The caseload for single adults/childless couples supported through the Safety Net program is projected at 207,139 in FY 2018, an increase of 1.1 percent from FY 2017.

Spending in public assistance will increase from FY 2017 to FY 2018 due to a variety of factors including the expansion of HIV/AIDS Services Administration (HASA) benefits to all public assistance recipients living in New York City, a revision to the timing of payments to New York City beginning in FY 2017, and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Growth is expected to be more gradual in the outyears.

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,701**	**1,591**	**-6.5%**	**1,693**	**6.4%**	**1,779**	**5.1%**	**1,792**	**0.7%**
Child Welfare Service	482	472	-2.1%	482	2.1%	491	1.9%	501	2.0%
Foster Care Block Grant	445	388	-12.8%	393	1.3%	399	1.5%	400	0.3%
Adoption	149	144	-3.4%	143	-0.7%	141	-1.4%	145	2.8%
Day Care	208	213	2.4%	206	-3.3%	206	0.0%	207	0.5%
Youth Programs	143	138	-3.5%	188	36.2%	251	33.5%	239	-4.8%
Medicaid	97	96	-1.0%	101	5.2%	105	4.0%	114	8.6%
Committees on Special Education	44	26	-40.9%	27	3.8%	30	11.1%	33	10.0%
Adult Protective/Domestic Violence	32	33	3.1%	35	6.1%	36	2.9%	38	5.6%
All Other	101	81	-19.8%	118	45.7%	120	1.7%	115	-4.2%

OCFS State Operating Funds spending is projected to decline from FY 2017 to FY 2018 due to a variety of factors, including restructuring the financing approach for foster care tuition and residential school placements of children with special needs in New York City; adjustments to the State share reimbursement under the Foster Care Block Grant to an estimated 50 percent; utilization of other funding sources, in this case Federal Title XX resources, to maintain funding for childcare subsidies; and the elimination of the planned Human Services Cost-of-Living-Adjustment (COLA) in FY 2018.

Spending is projected to increase in FY 2019 and into the outyears, primarily due to implementation of the "Raise the Age" initiative, which will increase the age of juvenile jurisdiction from 16 to 18.

Transportation

In FY 2018, the State will provide approximately $5 billion in operating aid to mass transit systems, funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of this aid. 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). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,959**	**4,988**	**0.6%**	**5,061**	**1.5%**	**5,152**	**1.8%**	**5,220**	**1.3%**
Mass Transit Operating Aid:	2,280	2,282	0.1%	2,282	0.0%	2,282	0.0%	2,282	0.0%
Metro Mass Transit Aid	2,152	2,152	0.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	84	86	2.4%	86	0.0%	86	0.0%	86	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,953	1,987	1.7%	2,045	2.9%	2,136	4.4%	2,203	3.1%
Dedicated Mass Transit	664	662	-0.3%	669	1.1%	669	0.0%	669	0.0%
AMTAP	61	56	-8.2%	56	0.0%	56	0.0%	56	0.0%
Local Transit Assistance	0	0	0.0%	9	100.0%	9	0.0%	9	0.0%
All Other	1	1	0.0%	0	-100.0%	0	0.0%	1	0.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast and timing associated with the availability of resources. The Updated Financial Plan includes revised spending estimates for transit assistance in each year to reflect the most recent revenue forecast assumptions. In addition, taxes imposed on Transportation Network Companies (TNCs) operating outside of New York City will be available to support non-MTA transit systems.

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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**715**	**723**	**1.1%**	**763**	**5.5%**	**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	0	8	0.0%	48	500.0%	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 2017 to FY 2018, due to revisions in the timing of spending. Additional increases in the out-years 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 General State Charges (GSCs). PS includes the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. NPS includes real estate rentals, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs, which are discussed separately, reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operating costs of the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV) are included in the capital projects fund type and are not reflected in State Operating Funds. The PS estimates reflect current negotiated collective bargaining agreements.

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS						
			Forecast			
	FY 2016 Results	FY 2017 Current	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Negotiated Base Salary Increases[1]						
CSEA/Council 82/UUP/DC-37	2%	TBD	TBD	TBD	TBD	TBD
PEF/GSEU/MC	2%	2%	2%	2%	TBD	TBD
NYSPBA/NYSPIA[2]	2%	1.5%	1.5%	TBD	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD	TBD
NYSCOPBA	2%	2%	2%	2%	2%	2%
State Workforce[3]	117,862	118,809	118,673	TBD	TBD	TBD
ERS Contribution Rate						
Before Amortization[4]	18.9%	16.6%	16.7%	16.7%	17.4%	19.2%
After Amortization[5]	19.3%	20.2%	20.5%	20.5%	21.1%	22.8%
PFRS Contribution Rate						
Before Amortization[4]	25.5%	25.1%	25.3%	25.7%	27.1%	29.7%
After Amortization[5]	27.6%	28.5%	28.3%	29.3%	30.7%	33.2%
Employee/Retiree Health Insurance Growth Rates	4.6%	6.3%	8.0%	6.3%	6.7%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.8%	13.3%	13.4%	13.5%	13.8%

1 Reflects current collective bargaining agreements with settled unions. GSEU and NYSCOPBA agreements require member ratification. NYSCOPBA, PEF and GSEU require enactment of paybills. Does not reflect potential impact of future negotiated labor agreements.

2 Contracts contain "reopener" language which allows the union 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 modestly over the Financial Plan period from $18.6 billion in FY 2018 to $19.8 billion in FY 2021. Most executive agencies are expected to hold spending at FY 2017 levels. Increases in later years of the Financial Plan are driven mainly by juvenile justice reform, higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires, and an additional administrative payroll in FY 2021.

Executive agency operational costs are expected to total $9.9 billion in FY 2018, a decline of $285 million from FY 2017, driven by the reclassification of certain agency operating and equipment costs to more appropriately align with capital and Federal financing sources.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,219**	**9,931**	**10,172**	**10,338**	**10,557**
Mental Hygiene	2,762	2,748	2,731	2,765	2,811
Corrections and Community Supervision	2,632	2,617	2,620	2,627	2,633
State Police	734	671	670	670	695
Information Technology Services[1]	542	537	560	560	570
Public Health	386	433	448	450	457
Tax and Finance	332	329	329	329	340
Medicaid Admin/EP	385	343	352	363	373
Children and Family Services	247	244	298	343	354
Environmental Conservation	227	211	211	212	218
Financial Services	211	212	212	216	216
Parks, Recreation and Historic Preservation	177	169	169	170	176
General Services	162	144	142	138	138
Gaming	153	96	96	96	97
Temporary and Disability Assistance	132	125	125	132	136
Workers' Compensation Board	137	142	143	145	151
Potential Labor Agreements[2]	100	530	650	700	750
Agency Financial Management Plan	0	(500)	(500)	(500)	(500)
All Other	900	880	916	922	942
UNIVERSITY SYSTEMS	**6,010**	**6,052**	**6,207**	**6,366**	**6,567**
State University	5,925	5,965	6,118	6,276	6,475
City University	85	87	89	90	92
INDEPENDENT AGENCIES	**320**	**324**	**321**	**323**	**337**
Law	172	175	174	176	184
Audit & Control (OSC)	148	149	147	147	153
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,549**	**16,307**	**16,700**	**17,027**	**17,461**
Judiciary	2,025	2,066	2,092	2,094	2,151
Legislature	218	226	218	218	219
Statewide Total	**18,792**	**18,599**	**19,010**	**19,339**	**19,831**
Personal Service	13,035	12,840	13,104	13,340	13,796
Non-Personal Service	5,757	5,759	5,906	5,999	6,035

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

[2] Excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **State Police:** Cost reductions primarily reflect the financing of certain State Police services by the recipients of such services. In addition certain personal service spending related to titles associated with the maintenance and preservation of State assets has been reclassified to the capital projects fund.

- **Medicaid Administration/EP:** Reduced spending starting in FY 2018 is mainly attributable to moving the QHP component of NYSOH administrative costs out of the Global Medicaid Cap into HCRA in Public Health.

- **Public Health:** Growth in FY 2018 operating costs for public health is primarily due to creating distinct State Operations funding for the QHP component of the NYSOH program, as noted above. There is no net Financial Plan impact associated with this funding shift.

- **General Services:** Certain personal service spending related to titles associated with the maintenance and preservation of State assets are reclassified to the capital projects fund, which drives the general services spending decline in FY 2018.

- **Gaming:** A change in the accounting structure related to advertising costs whereby direct payment is made to the vendor instead of reimbursing the Gaming Commission, resulting in lower State Operating Funds spending by the Gaming Commission.

- **Children and Family Services:** The Executive Budget proposes additional funding in OCFS to support raising the age of juvenile jurisdiction from 16 to 18 by January 1, 2020.

- **Information Technology Services:** Increases in spending for IT Services from FY 2018 to FY 2021 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.

- **State University:** Higher SUNY spending over the Financial Plan period reflects anticipated operating needs at SUNY campuses and hospitals, supported through campus revenues, State funding and hospital revenues.

- **Judiciary:** The Executive Budget reflects the Judiciary's request to increase operating support, including the addition of 200 non-judicial positions in support of trial court operations and temporary service funding for acting city, town and village justices.

- **Labor agreement Costs:** Reflects costs of the recently negotiated settlement agreements with PEF and NYSCOPBA, and assumes the PEF model, now signed into law by the Governor and extended to unrepresented M/C employees, will be provided to all other employee unions.

- **Agency Financial Management Plans:** All Executive agencies will be required to implement cost-control measures on a recurring basis, starting in FY 2018. The Executive Budget Financial Plan includes $500 million in annual savings that is expected to be allocated to agencies at a future date as agency management plans are completed. Agency plans must preserve funding for mission critical efforts and strategic initiatives with agencies identifying cost efficiencies and reducing state operating funds spending in FY 2018.

Workforce

In FY 2018, $12.8 billion or 13.1 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 95,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (43,252) and Independent Agencies (18,276); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and DOCCS.

STATE OPERATING FUNDS
FY 2018 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,120**	**94,980**
Mental Hygiene Agencies	2,234	32,521
Corrections and Community Supervision	2,052	27,270
State Police	611	5,636
Tax and Finance	270	4,276
Information Technology Services	271	3,406
Health	252	3,593
Environmental Conservation	170	2,125
Children and Family Services	160	2,406
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	124	1,305
Education	88	1,263
General Service	57	904
All Other	674	8,893
University Systems	**3,718**	**43,252**
State University	3,672	42,869
City University[2]	46	383
Independent Agencies	**2,002**	**18,276**
Law	121	1,583
Audit & Control (OSC)	115	1,603
Judiciary	1,595	15,089
Legislature[3]	171	1
Total	**12,840**	**156,508**

[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

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.[15] The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits that are paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. The largest reimbursement to the General Fund comes from the mental hygiene agencies, which combined account for nearly half of all payments.

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

GSCs are projected to increase at an average annual rate of 5.9 percent over the multi-year Financial Plan period, driven primarily by cost increases for workers' compensation, growing pension contribution levels, and the employer share of costs for employee and retiree health insurance benefits.

In FY 2018, State Operating Funds spending for GSCs is projected to increase by $309 million (4.0 percent). Health insurance increases reflect rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, generic drug price inflation, increased outpatient utilization, and increased inpatient/outpatient utilization in Mental Health. Pension cost increases are driven by actual and forecasted salary base assumptions and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

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

GENERAL STATE CHARGES (millions of dollars)									
	FY 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,631**	**7,940**	**4.0%**	**8,473**	**6.7%**	**8,986**	**6.1%**	**9,584**	**6.7%**
Fringe Benefits	**7,181**	**7,519**	**4.7%**	**8,046**	**7.0%**	**8,552**	**6.3%**	**9,143**	**6.9%**
Health Insurance	3,682	3,976	8.0%	4,228	6.3%	4,512	6.7%	4,808	6.6%
Pensions	2,457	2,540	3.4%	2,647	4.2%	2,761	4.3%	2,990	8.3%
Social Security	988	992	0.4%	995	0.3%	1,003	0.8%	1,009	0.6%
Workers' Compensation	249	334	34.1%	484	44.9%	599	23.8%	689	15.0%
Employee Benefits	95	95	0.0%	95	0.0%	95	0.0%	95	0.0%
Dental Insurance	64	65	1.6%	65	0.0%	66	1.5%	67	1.5%
Unemployment Insurance	15	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other/Non-State Escrow	(369)	(498)	-35.0%	(483)	3.0%	(499)	-3.3%	(530)	-6.2%
Fixed Costs	**450**	**421**	**-6.4%**	**427**	**1.4%**	**434**	**1.6%**	**441**	**1.6%**

Growth in base GSC spending in FY 2018 has been partly offset by gap-closing savings of approximately $81 million included as part of the Executive Budget Financial Plan, as well as the expected use of an additional $105 million from SIF reserves to reduce Workers' Compensation costs in FY 2018. The savings are primarily driven by $63 million in interest savings achieved by paying the full State pension bill in April 2016, rather than on a monthly basis as the Financial Plan previously assumed.

Health insurance savings are expected from the proposed sliding scale of premium contributions from newly hired employees, based on years of service. Under this proposal, new employees would contribute more toward health insurance premiums, with the contribution increases lessened until at 30 years of service employees would see no impact to their contributions from current levels. The FY 2018 Executive Budget also proposes to cease subsidy of high income Medicare Part B premiums, and also to freeze the standard Medicare Part B reimbursement rates at 2016 levels. These proposals would generate modest savings of approximately $9 million in FY 2018, but when fully implemented, annual savings are anticipated to increase to approximately $32 million in FY 2019, $39 million in FY 2020, and $51 million in FY 2021.

Over the multi-year Financial Plan period, outyear pension costs are anticipated to increase based on a model that reflects forecasted salary base information and the continuation of modest investment returns, as experienced in the past year. Health insurance growth reflects utilization and forecasted rate renewal increases. Underlying workers' compensation growth is driven by an increase in funding liability, while net Financial Plan funding reflects the use of excess balances which are scheduled to be transferred by the WCB directly to SIF, or accessed directly from available balances residing with SIF, to partially offset workers' compensation payments from General Fund resources through FY 2020.

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2017 Current	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**11,122**	**11,105**	**12,024**	**12,178**	**11,793**
State Share of Mental Hygiene Medicaid[1]	**1,432**	**1,301**	**1,231**	**1,119**	**1,263**
Debt Service	**927**	**946**	**1,156**	**1,050**	**1,115**
SUNY University Operations	**996**	**1,000**	**997**	**997**	**997**
Capital Projects	**3,458**	**3,517**	**3,928**	**3,781**	**3,076**
Dedicated Highway and Bridge Trust Fund	539	644	592	903	918
Dedicated Infrastructure Investment Fund	1,172	2,002	1,959	969	270
FY 2017 Temporary Loan to Capital Projects Fund	1,300	(1,300)	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	500	(500)	0	0
Statewide Health Care Capital	0	25	45	50	50
Environmental Protection Fund	146	28	28	28	28
All Other Capital	301	1,618	1,804	1,831	1,810
ALL OTHER TRANSFERS	**4,309**	**4,341**	**4,712**	**5,231**	**5,342**
Mental Hygiene	3,154	3,226	3,608	4,106	4,189
Department of Transportation (MTA Payroll Tax)	333	268	269	269	270
SUNY - Medicaid Reimbursement	285	246	246	246	246
Judiciary Funds	107	106	110	109	110
SUNY - Hospital Operations	88	69	69	69	69
Dedicated Mass Transportation Trust Fund	63	66	66	66	66
Banking Services	42	53	53	53	53
Indigent Legal Services	31	35	35	58	82
Mass Transportation Operating Assistance	20	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Correctional Industries	11	12	12	12	12
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	5	5	7	5	7
SUNY - General Income Fund Reimbursable Accour	14	14	0	0	0
All Other	132	195	191	192	192

[1] Includes transfers related to the multi-year OPWDD disallowance repayments.

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

General Fund transfers to other funds are expected to total $11.1 billion in FY 2018, a modest $11 million increase from FY 2017. This decline is primarily attributable to $855 million less in transfers to the State Capital Projects Fund which reflects the planned repayment of funds related to debt management actions, offset by an $955 million increase in transfers of monetary settlement funds to capital projects funds in FY 2018. In addition, increased transfers to support the DHBTF and debt service driven by FY 2016 prepayments of FY 2017 expenses are partially offset by a decline in State share Medicaid transfers in FY 2018 reflects the continuation of lower reimbursement levels for State-operated mental hygiene services, in part due to ongoing deinstitutionalization efforts and transitioning of services to the provided community.

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, 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 2017 Current	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
General Fund	927	946	2.0%	1,156	22.2%	1,050	-9.2%	1,115	6.2%
Other State Support	4,383	4,620	5.4%	5,301	14.7%	6,043	14.0%	6,283	4.0%
State Operating/All Funds Total	**5,310**	**5,566**	**4.8%**	**6,457**	**16.0%**	**7,093**	**9.8%**	**7,398**	**4.3%**

Total State Operating/All Funds debt service is projected at $5.6 billion in FY 2018, of which approximately $946 million is paid from the General Fund via transfers, and $4.6 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Executive Budget Financial Plan estimates for debt service spending have been revised to reflect increased debt service costs associated with proposed additional bond-financed capital for Olympic Regional Development Authority (ORDA). The FY 2017 debt service spending estimates assume the prepayment of $280 million of debt service due during FY 2018.

GAAP-Basis Results for Prior Fiscal Years

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GAAP-Basis Results for Prior Fiscal Years

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

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

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

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

SUMMARY OF NET POSITION (millions of dollars)

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

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

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Authorities and Localities

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Authorities and Localities

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 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.

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As of December 31, 2015 (with respect to Job Development Authority or "JDA" as of March 31, 2016), each of the 19 authorities listed in the following table had outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $179 billion, only a portion of which constitutes State-supported or State-related debt. Note that the outstanding debt information contained in the following table is the most current information provided by OSC by data submitted by the 19 authorities in the following table at the time of this AIS Update. DOB expects to include updated information in the corresponding table contained in the next State Annual Information Statement to be released later in 2017.

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

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

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

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

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

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

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

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 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 Jay Olson, Investor Relations, (212) 788-5874, or contacting the City Office of Management and Budget, 255 Greenwich Street, 8th Floor, New York, NY 10007. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

DEBT OF NEW YORK CITY AND RELATED ENTITIES(1)
AS OF JUNE 30 OF EACH YEAR
(millions of dollars)

Year	General Obligation Bonds	Obligations of TFA (1)	Obligations of STAR Corp. (2)	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other (3) Obligations	Total
2007	34,506	14,607	2,368	1,317	2,100	3,394	58,292
2008	36,100	14,828	2,339	1,297	2,067	2,556	59,187
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

Source: Office of the State Comptroller, The City of New York Comprehensive Annual Financial Report.

(1) Includes amounts for Building Aid Revenue Bonds (BARBS), the debt service on which will be funded solely from future State Building Aid payments that are subject to appropriation by the State and have been assigned by the City of New York to the Transitional Finance Authority (TFA).

(2) A portion of the proceeds of the Sales Tax Asset Receivable Corporation (STARC) Bonds were used to retire outstanding Municipal Assistance Corporation bonds. The debt service on STARC bonds will be funded from annual revenues to be provided by the State, subject to annual appropriation. These revenues have been assigned to the STARC by the Mayor of the City of New York.

(3) Includes bonds issued by the Fiscal Year 2005 Securitization Corporation, the New York City Educational Construction Fund, the Industrial Development Agency and, beginning in 2010, the New York City Tax Lien Collateralized Bonds. Also included are bonds issued by the Dormitory Authority of the State of New York for education, health, and court capital projects and other long-term leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

The staffs of the Financial Control Board for the City of New York (FCB), the Office of the State Deputy Comptroller (OSDC), the City Comptroller and the Independent Budget Office issue periodic reports on the City's financial plans. Copies of the most recent reports are available by contacting: FCB, 123 William Street, 23rd Floor, New York, NY 10038, Attention: Executive Director; OSDC, 59 Maiden Lane, 29th Floor, New York, NY 10038, Attention: Deputy Comptroller; City Comptroller, Municipal Building, 6th Floor, One Centre Street, New York, NY 10007-2341, Attention: Deputy Comptroller for Budget; and IBO, 110 William Street, 14th Floor, New York, NY 10038, Attention: Director.

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 26 special acts authorizing bond issuances to finance local government operating deficits, most recently for the Village of Suffern. 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 localities.

The Buffalo Fiscal Stability Authority exercised Control Period powers with respect to the City of Buffalo from 2004 through Buffalo's 2012 fiscal year, but transitioned to Advisory Period powers commencing on July 1, 2012.

In January 2011, the Nassau County Interim Finance Authority (NIFA) declared that it was entering a Control Period, citing the "substantial likelihood and imminence" that Nassau County would incur a major operating funds deficit of 1 percent or more during the County's 2011 fiscal year. Nassau County challenged NIFA's determination and authority to impose a Control Period in State Supreme Court but did not prevail. Since that court's determination, NIFA has exercised Control Period powers over Nassau County.

As a result of past fiscal difficulties, Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The impact on the State of any possible requests made by localities 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.

The City of Yonkers ("Yonkers") no longer operates under an oversight board but must adhere to a Special Local Finance and Budget Act. The Yonkers City School District (the "Yonkers School District") is fiscally dependent upon Yonkers as it lacks taxing authority. In January 2014, the Yonkers Board of Education identified an improper accrual of State aid that resulted in an unanticipated shortfall in available funds for operation of the Yonkers School District. In response, the Yonkers City School District Deficit Financing Act was enacted, which authorized Yonkers, subject to certain requirements, to issue serial bonds, not to exceed $45 million by March 31, 2015, to liquidate current deficits in the Yonkers School District's general fund as of June 30, 2014. Subject to certain conditions that were satisfied, the FY 2015 Enacted Budget provided an additional $28 million to Yonkers over other education aid provided by the State for the support of the Yonkers School District for Yonkers fiscal year 2015. Legislation enacted in 2015 provided a total of $25 million in additional aid to Yonkers for the support of the Yonkers School District for Yonkers fiscal year ending 2016 and 2017, subject to Yonkers submitting a comprehensive financial plan that provides for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan has been submitted and approved by the State Director of the Budget.

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 seventeen municipalities. The Restructuring Board is also authorized, upon the joint request of the fiscally eligible municipality and a public employee organization, to resolve labor impasses between municipal employers and employee organizations for police, fire and certain other employees in lieu of binding arbitration before a public arbitration panel.

OSC implemented its Fiscal Stress Monitoring System (the "Monitoring System") in 2013. The Monitoring System utilizes a number of fiscal and environmental indicators with the goal of providing an early warning to local communities about stress conditions in New York's local governments and school districts. Fiscal indicators consider measures of budgetary solvency while environmental indicators consider measures such as population, poverty, and tax base trends. Individual entities are then scored according to their performance on these indicators. An entity's score on the fiscal components will determine whether or not it is classified in one of three levels of stress: significant, moderate or susceptible. Entities that do not meet established scoring thresholds are classified as "No Designation".

A total of 59 local governments (10 counties, 11 cities, 20 towns, 18 villages) and 82 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2015. The vast majority of entities scored by OSC (93 percent) are classified in the "No Designation" category.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control, but which can adversely affect their financial condition. For example, the State or Federal government may reduce (or, in some cases, eliminate) funding of local programs, thus requiring local governments to pay these expenditures using their own resources. Similarly, past cash flow problems for the State have resulted in delays in State aid payments to localities. In some cases, these delays have necessitated short-term borrowing at the local level.

Other factors that have had, or could have, an impact on the fiscal condition of local governments and school districts include: the loss of temporary Federal stimulus funding; recent State aid trends; constitutional and statutory limitations on the imposition by local governments and school districts of property, sales and other taxes; and for some communities, the significant upfront costs for rebuilding and clean-up in the wake of a natural disaster. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long range economic trends. Other large scale potential problems, such as declining urban populations, declines in the real property tax base, increasing pension, health care and other fixed costs, or the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate requests for State assistance.

Ultimately, localities as well as local public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State.

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2015.

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
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	0	36,110	7,369	105,646	7,369
2011	73,572	0	36,247	7,327	109,819	7,327
2012	77,354	0	36,699	7,194	114,053	7,194
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

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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State Retirement System

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

General

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

Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2016, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2016 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/. Additionally, available at the OSC website are the System's asset listing and audited financial statements for the fiscal year ended March 31, 2016.

The Annual Reports to the Comptroller on Actuarial Assumptions from the Retirement System's Actuary - the contents of which explain the methodology used to determine employer contribution rates to the System - issued from 2007 through 2016 and benefit plan booklets describing how each of the System's tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

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

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

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

The System

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

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

Comparison of Benefits by Tier

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

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

ERS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php
PFRS Chart: http://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 84 percent of the approximately 1,600 Tier 5 PFRS members are required to contribute 3 percent of their salaries for their career. Members joining on or after April 1, 2012 are in Tier 6, and are required to pay contributions throughout their career on a stepped basis relative to each respective member's wages. Members in Tier 6 of both ERS and PFRS earning $45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between $45,001 and $55,000 are required to contribute 3.5 percent; members earning between $55,001 and $75,000 are required to contribute 4.5 percent; members earning between $75,001 and $100,000 are required to contribute 5.75 percent; and, those earning in excess of $100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System's assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System's Actuary, which is currently 7.0 percent.[16]

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

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.0 percent assumed return) over a 5-year period.

The amount of future annual employer contribution rates will depend, in part, on the value of the assets held by the CRF as of each April 1, as well as on the present value of the anticipated benefits to be paid by the System as of each April 1. Final contribution rates for FY 2018 were released in September 2016. The average ERS rate decreased by 1.3 percent from 15.5 percent of salary in FY 2017 to 15.3 percent of salary in FY 2018, while the average PFRS rate increased by 0.4 percent from 24.3 percent of salary in FY 2017 to 24.4 percent of salary in FY 2018. Information regarding average rates for FY 2018 may be found in the 2016 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at: www.osc.state.ny.us/retire/publications.

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

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016 and FY 2017, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent and 2.33 percent, respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2016, the amortized amount receivable, including accrued interest, for the 2011 amortization is $136.4 million from the State and $23.1 million from 40 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $354.9 million from the State and $131.1 million from 113 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $562.9 million from the State and $264.3 million from 131 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is $777.9 million for the State and $177.7 million from 99 participating employers; the amortized amount receivable including accrued interest, for the

2015 amortization is $653.1 million from the State and $134.0 million from 86 participating employers; and the amortized amount receivable, including accrued interest for the 2016 amortization, is $357.1 million from the State and $67.1 million from 53 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provided 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, 2016, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is $215.7 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $182.8 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is $134.1 million.

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The 2016 amounts are 12.5 percent for ERS and 20.5 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015, 3.31 percent for FY 2016 and 2.63 percent for FY 2017). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

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

The total State payment (including Judiciary) due to NYSLRS for FY 2017 was $2.365 billion. The State opted not to amortize under the Contribution Stabilization Program and has paid the bill in full as of March 1, 2017.

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

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2016 was $183.6 billion (including $6.2 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), a decrease of $5.8 billion or 3.0 percent from the FY 2015 level of $189.4 billion. The decrease in net position restricted for pension benefits from FY 2015 to FY 2016 reflects, in large part, equity market performance.[17] The System's audited Financial Statement reports a time-weighted investment rate of return of 0.19 percent (gross rate of return before the deduction of certain fees) for FY 2016.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2010, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 51 percent equities (38 percent domestic and 13 percent international); 20 percent bonds, cash and mortgages; 2 percent inflation indexed bonds and 27 percent alternative investments (10 percent private equity, 8 percent real estate, 3 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[18]

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[17]. On February 6, 2017, the State Comptroller released a statement indicating that the value of the System's invested assets posted a 1.11 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended December 31, 2016. This is in addition to a 1.96 percent return in the first quarter and a 3.51 percent return in the second quarter, bringing fiscal year-to-date returns to approximately 6.71 percent, with one quarter remaining. This reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

[11] More detail on the CRF's asset allocation as of March 31, 2016, long-term policy allocation and transition target allocation can be found on page 91 of the NYSLRS' CAFR for the fiscal year ending March 31, 2016.

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $225.7 billion on April 1, 2015 to $232.9 billion (including $112.7 billion for current retirees and beneficiaries) on April 1, 2016. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2016. 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, 2016 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2016, 40 percent of the unexpected loss for FY 2015, 60 percent of the unexpected gain for FY 2014, and 80 percent of the unexpected gain for FY 2013. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from $184.2 billion on April 1, 2015 to $190.7 billion on April 1, 2016. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2016, calculated by the System's Actuary, was 90.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2016, calculated by the System's Actuary, was 90.2 percent.[19]

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

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

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

[19] 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.

Net Pension Liability in their financial statements, as well as pension expense and deferred inflows and outflows.

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 August 2016, based on the System's measurement date of March 31, 2016. 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#cafr.

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

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

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

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

Sources: State and Local Retirement System.

(1) Contributions recorded include the full amount of unpaid amortized contributions.

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

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

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

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

Sources: State and Local Retirement System.

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

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 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 2004 can be found on page 28 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 combined basic statement of changes in fiduciary net position can be found on page 43 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 68-69 at the link noted above.

4) Information on contributions can be found on pages 135-143 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 Fund since 2007 can be found on page 144 of the NYSLRS CAFR at the link noted above.

6) Information related to the salaries of members can be found on pages 176-179 of the NYSLRS CAFR at the link noted above.

Litigation and Arbitration

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Litigation and Arbitration

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL, AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

Real Property Claims

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

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

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

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

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

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

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

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

In *Kaplan v. State of New York* (Sup. Ct., Oneida Co.), plaintiff is a citizen taxpayer and voter who claims that the settlement agreement violates the State Constitution by delegating the State's taxing power. On July 16, 2015, the State filed a motion to dismiss the complaint on several grounds, including laches, comity and failure to state a claim. Defendants' motion to dismiss was fully briefed and argued on September 16, 2015. The Oneida County Supreme Court dismissed the plaintiff's claims and issued declaratory judgment in favor of the State on February 19, 2016, finding that the State did not violate the State Constitution by contracting away its power to tax when it entered into the Oneida Settlement Agreement. On March 17, 2016, plaintiff filed a notice of appeal. Plaintiff filed his brief in the Appellate Division, Fourth Department, on June 14, 2016. The State's responding brief was filed August 17, 2016 and plaintiff's reply brief was filed August 30, 2016. On February 3, 2017, the Appellate Division affirmed the Supreme Court's judgment.

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least February 22, 2017 to allow for settlement negotiations.

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

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

School Aid

In *Maisto v. State of New York* (formerly identified as *Hussein v. State of New York*), plaintiffs seek a judgment declaring that the State's system of financing public education violates § 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. The parties submitted their proposed findings of fact on October 28, 2015. Plaintiffs' memorandum of law was filed on November 27, 2015 and defendants' memorandum of law was filed on January 25, 2016. Plaintiffs' reply memorandum was submitted on February 9, 2016. 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.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools ("GSPS") to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The State's appeal is pending. The Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*, discussed below.

In *New York State United Teachers, et al. v. The State of New York, et al.* (Sup. Ct., Albany Co.), commenced February 20, 2013, plaintiffs seek a judgment declaring that the provisions of Education Law § 2023-a (the "Tax Cap Law"), which imposes a 60 percent super-majority requirement on school districts which seek to raise their tax levies above the previous year's levy by the lesser of 2 percent or the rate of inflation violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statute would interfere with local control of education financing and impair the right of plaintiffs to substantially control school district finances. Plaintiffs also seek injunctive relief barring application of the statutory tax cap to local education funding. Defendants moved to dismiss the First Amended Complaint and plaintiffs moved to further file and serve a Second Amended Complaint to add a challenge to newly enacted Education Law § 2023-b ("Tax Freeze Law").

On September 23, 2014, Supreme Court Justice McGrath issued a Decision and Order which (1) granted defendants' motion to dismiss the First Amended Complaint which challenged the constitutionality of the Tax Cap Law; and (2) granted the plaintiffs' leave to serve a Second Amended Complaint to add a challenge to Tax Freeze Law. Defendants then moved to dismiss the Second Amended Complaint and, by order to show cause, plaintiffs have moved for a preliminary injunction, but not a temporary restraining order, seeking to enjoin enforcement of the Tax Cap Law and the Tax Freeze Law. Both motions were argued on February 24, 2015. By Decision and Order dated March 16, 2015, Supreme Court granted the defendants' motion to dismiss the Second Amended Complaint, and denied the plaintiffs' motion for a preliminary injunction.

Plaintiffs filed a Notice of Appeal to the Third Department on March 24, 2015. The case has been fully briefed and was argued in the January 2016 term. By opinion and order entered May 5, 2016, the Appellate Division, Third Department (with one judge concurring in part and dissenting in part) affirmed the dismissal of the complaint. On May 25, 2016, plaintiffs filed a notice of appeal to the Court of Appeals. On October 20, 2016, that Court dismissed the appeal on the ground that it did not directly involve a substantial constitutional question. On November 28, 2016, plaintiffs moved for discretionary leave to appeal to the Court of Appeals. Defendants' opposition to the motion was filed on December 12, 2016. By order entered February 14, 2017, the Court of Appeals denied plaintiffs' motion for leave to appeal.

In *New Yorkers for Students Educational Rights v. New York*, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of *Aristy-Farer* -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas.

On May 30, 2014, the State filed a motion to dismiss all claims. On June 24, 2014, plaintiffs moved for a preliminary injunction seeking to restrain defendants from enforcing three of the four statutory provisions challenged in the underlying action. Specifically, plaintiffs seek to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law § 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants filed Notices of Appeal of both November 17, 2014 decisions on December 15, 2014. Defendants filed Answers to the Amended Complaint and to Yonkers' Intervenor Complaint on February 2, 2015. 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.

Plaintiffs moved for partial summary judgment, pre-discovery, on May 29, 2015. Defendants filed opposition papers and cross-moved for partial summary judgment on July 31, 2015. Defendants also moved for a stay of the litigation pending the outcomes of the pending appeals. Oral argument was held on the cross-motions for partial summary judgment and the motion for a stay on November 4, 2015. The court denied both parties' motions for partial summary judgment on November 20, 2015. The court also denied defendants' motion for a stay on November 20, 2015. The court held a preliminary conference on February 3, 2016. On April 5, 2016, following the submission of a stipulation by the parties, the 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 *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 Court of Appeals has set a briefing schedule that required briefing to be complete by May 12, 2017, with argument on May 30, 2017 or June 1, 2017. The parties have entered into a stay of trial proceedings pending disposition of the appeal.

Medicaid Nursing Home Rate Methodology

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

State has filed both a notice of appeal and a motion to renew or reargue that motion. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been granted and the State has filed a notice of appeal.

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserved bed day *Kateri* matters under the new caption of *Bayberry, et al*. With respect to a portion of the newly consolidated cases, at the end of April 2015, as ordered, DOH performed additional rate calculations that incorporated Petitioners' reserved bed day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH.

In March 2016, over 600 nursing home facilities, including all of the *Kateri* plaintiffs, entered a "universal settlement" with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The *Kateri* plaintiffs and the State agreed to exclude one issue, called "facility specific rebasing claims," and agreed to cap potential liability for that issue at no more than $15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference was adjourned to September 21, 2016. Pending completion of settlement discussions of the remaining "facility specific rebasing claims" issue, the parties reached a revised briefing schedule at a court conference on December 21, 2016, pursuant to which plaintiffs' motions associated with their remaining claim were due to be filed on February 3, 2017, with opposition to such motions due on or before March 3, 2017, reply if any due on or before March 24, 2017, and a court conference scheduled for April 26, 2017. By stipulation dated February 16, 2017, counsel for the parties agreed to extend the dates set forth in the December 21, 2016 conference order as follows: motion due March 10, 2017; opposition April 7, 2017; reply April 28, 2017, and the next court conference on April 26, 2017 while settlement discussions continue.

Family Assistance

In *Velez v. Roberts* (Sup. Ct., New York Co.), plaintiffs allege violations of Social Services Law §350(1)(a) and the State Administrative Procedure Act and seek judgment that the New York State Office of Temporary Disability Assistance is failing to meet its statutory obligation to provide an adequate shelter allowance because that allowance and the Family Eviction Prevention Supplement (FEPS), used to supplement shelter allowance benefits, have not been increased since 2005 and 2004, respectively. On February 16, 2016, the State defendants moved to dismiss the State Administrative Procedure Act claims on statute of limitations grounds and three of the four requests for declaratory relief based on lack of justiciability and separation of powers. The State defendants also have sought joinder of the New York City Human Resources Administration as a necessary party. The motion was fully submitted to Supreme Court on May 4, 2016. On May 30, 2016, plaintiffs served their first documents requests and interrogatories. The parties settled the case on February 27, 2017. Plaintiffs are now expected to move for preliminary class certification, approval of the settlement, and a fairness hearing.

Sales Tax

There are several cases challenging the State's authority to collect taxes on cigarettes sold on Indian reservations.

In *Oneida Indian Nation of New York v. Paterson, et al*. (and four consolidated cases), the tribal plaintiffs seek judgments declaring that Chapters 134 and 136 of the Laws of 2010, which enacted amendments to the Tax Law regarding collection of excise taxes on reservation cigarette sales to non-tribal members, violate their rights under Federal law, and enjoining the State from enforcing those laws. In four of the five cases, the District Court for the Western District of New York denied plaintiffs' motions for preliminary injunctions but granted a stay of enforcement pending plaintiffs' appeal. In the fifth case, the District Court for the Northern District of New York granted the plaintiff's motion for a preliminary injunction. On May 9, 2011, the Second Circuit Court of Appeals affirmed the Western District's orders denying the plaintiffs' motions for preliminary injunctions, and vacated the Northern District's order granting the motion for a preliminary injunction, vacated all stays pending appeal, and remanded the cases to the District Courts for further proceedings consistent with the Court's opinion. The State has moved for summary judgment in the Northern and Western District cases. The plaintiffs have moved for voluntary dismissal without prejudice in these cases. The motions were taken on submission in the Northern District on November 25, 2011 and argued in the Western District on December 20, 2011. On January 9, 2012, the District Court for the Northern District of New York granted plaintiff's motion for voluntary dismissal without prejudice and denied the State defendants' motion for summary judgment as moot. On January 23, 2017, the District Court for the Western District of New York granted the State's motion for summary judgment and dismissed the complaints of two of the tribal plaintiffs with prejudice.

Insurance Department Assessments

In New *York Insurance Association, Inc. v. State (Sup. Ct., Albany Co.),* several insurance companies and an association of insurance companies seek a declaration that certain assessments issued against the plaintiff insurance companies by the Insurance Department pursuant to Insurance Law § 332 violate the Insurance Law and the State and Federal Constitutions. The plaintiff insurance companies argue, among other things, that these assessments constitute an unlawful tax because they include amounts for items that are not the legitimate direct and indirect costs of the Insurance Department. By decision and order dated March 25, 2015, plaintiffs' motion for summary judgment was denied, defendant's motion for summary judgment was granted, and plaintiffs' third amended complaint was dismissed. On March 27, 2015, the State received plaintiffs' notice of appeal. On October 27, 2016, the Appellate Division, Third Department affirmed Supreme Court's judgment dismissing the third amended complaint. On November 22, 2016, plaintiffs moved for reargument or leave to appeal to the Court of Appeals, which the State has opposed. The motion was submitted to the Court on December 12, 2016. By order entered February 9, 2017, the Appellate Division, Third Department, denied plaintiffs' motion for reargument or leave to appeal.

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

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). That complaint has not yet been served on all parties.

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; plaintiffs have until March 31, 2017, to appeal. 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. Any response by the Thruway Authority is due March 20, 2017.

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Financial Plan Tables

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Financial Plan Tables

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

General Fund - Total Budget

- Financial Plan, Annual Change from FY 2016 to FY 2017
- Financial Plan Projections FY 2018 through FY 2021
- Update to FY 2017
- Update to FY 2018
- Update to FY 2019
- Update to FY 2020

General Fund - Receipts Detail (Excluding Transfers)

- Financial Plan Projections FY 2017 through FY 2021

State Operating Funds Budget

- FY 2017
- FY 2018
- FY 2019
- FY 2020

All Governmental Funds - Total Budget

- FY 2017
- FY 2018
- FY 2019
- FY 2020

Cashflow - FY 2017 Monthly Projections

- General Fund

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

	FY 2016 Results	FY 2017 Current	Annual $ Change	Annual % Change
Opening Fund Balance	7,300	8,934	1,634	22.4%
Receipts:				
Taxes:				
Personal Income Tax	31,957	32,274	317	1.0%
Consumption/Use Taxes	6,819	7,082	263	3.9%
Business Taxes	5,647	5,571	(76)	-1.3%
Other Taxes	1,540	1,134	(406)	-26.4%
Miscellaneous Receipts	5,842	3,799	(2,043)	-35.0%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,159	10,421	262	2.6%
Sales Tax in Excess of LGAC	2,728	2,866	138	5.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,759	2,669	(90)	-3.3%
Real Estate Taxes in Excess of CW/CA Debt Service	972	952	(20)	-2.1%
All Other	1,253	1,222	(31)	-2.5%
Total Receipts	69,676	67,990	(1,686)	-2.4%
Disbursements:				
Local Assistance Grants	43,314	44,826	1,512	3.5%
Departmental Operations:				
Personal Service	6,011	6,099	88	1.5%
Non-Personal Service	1,944	2,154	210	10.8%
General State Charges	5,397	5,491	94	1.7%
Transfers to Other Funds:				
Debt Service	1,196	927	(269)	-22.5%
Capital Projects	2,721	3,458	737	27.1%
State Share of Mental Hygiene Medicaid	2,036	1,432	(604)	-29.7%
SUNY Operations	998	996	(2)	-0.2%
Other Purposes	4,425	4,309	(116)	-2.6%
Total Disbursements	68,042	69,692	1,650	2.4%
Excess (Deficiency) of Receipts Over Disbursements	1,634	(1,702)	(3,336)	-204.2%
Closing Fund Balance	8,934	7,232	(1,702)	-19.1%
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	540	0	
Contingency Reserve	21	21	0	
Community Projects	63	53	(10)	
Reserved For				
Potential Labor Agreements	15	0	(15)	
Undesignated Fund Balance[1]	237	0	(237)	
Debt Management	500	500	0	
Monetary Settlements	6,300	4,860	(1,440)	
Programmed	5,755	3,062	(2,693)	
Unbudgeted	545	1,798	1,253	

[1] The undesignated fund balance carried forward from FY 2016 totaled $237 million of which $87 million was planned for use in FY 2017 and $150 million was set aside for potential costs of labor agreements ($60 million has been used leaving $90 million remaining).

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018 through FY 2021
(millions of dollars)

	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Receipts:				
Taxes:				
Personal Income Tax	35,406	37,369	39,660	42,818
Consumption/Use Taxes	7,514	7,841	8,109	8,390
Business Taxes	5,955	5,972	6,310	6,595
Other Taxes	969	931	982	1,027
Miscellaneous Receipts	2,298	2,290	2,175	2,051
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	11,030	11,189	11,346	12,250
Sales Tax in Excess of LGAC	3,156	3,200	3,337	3,612
Sales Tax in Excess of Revenue Bond Debt Service	2,803	2,845	3,027	2,876
Real Estate Taxes in Excess of CW/CA Debt Service	1,028	1,085	1,137	1,193
All Other	924	741	726	725
Total Receipts	71,083	73,463	76,809	81,537
Disbursements:				
Local Assistance Grants	47,247	49,971	52,777	55,400
Departmental Operations:				
Personal Service	6,015	6,236	6,390	6,717
Non-Personal Service	2,290	2,388	2,499	2,527
General State Charges	5,741	6,231	6,689	7,232
Transfers to Other Funds:				
Debt Service	946	1,156	1,050	1,115
Capital Projects	3,517	3,927	3,781	3,076
State Share of Mental Hygiene Medicaid	1,301	1,231	1,119	1,263
SUNY Operations	1,000	997	997	997
Other Purposes	4,341	4,712	5,231	5,342
Total Disbursements	72,398	76,849	80,533	83,669
Use (Reservation) of Fund Balance:				
Community Projects	16	0	0	0
Potential Labor Agreements	(155)	0	0	0
Rainy Day Reserve	(150)	0	0	0
Monetary Settlements	1,604	1,613	1,063	351
Programmed	(194)	1,613	1,063	351
Unbudgeted	1,798	0	0	0
Total Use (Reservation) of Fund Balance	1,315	1,613	1,063	351
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	0	(1,773)	(2,661)	(1,781)
Adherence to 2% Spending Benchmark*	0	2,465	4,753	6,741
Net General Fund Surplus (Deficit)	0	692	2,092	4,960

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	33,870	(1,031)	32,839	(565)	32,274
Consumption/Use Taxes	7,087	(11)	7,076	6	7,082
Business Taxes	5,750	25	5,775	(204)	5,571
Other Taxes	1,045	9	1,054	80	1,134
Miscellaneous Receipts	2,813	374	3,187	612	3,799
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,899	(265)	10,634	(213)	10,421
Sales Tax in Excess of LGAC	2,868	(1)	2,867	(1)	2,866
Sales Tax in Excess of Revenue Bond Debt Service	2,647	22	2,669	0	2,669
Real Estate Taxes in Excess of CW/CA Debt Service	951	0	951	1	952
All Other	1,046	172	1,218	4	1,222
Total Receipts	68,976	(706)	68,270	(280)	67,990
Disbursements:					
Local Assistance Grants	45,957	(578)	45,379	(553)	44,826
Departmental Operations:					
Personal Service	6,054	1	6,055	44	6,099
Non-Personal Service	2,245	(41)	2,204	(50)	2,154
General State Charges	5,425	142	5,567	(76)	5,491
Transfers to Other Funds:					
Debt Service	706	(3)	703	224	927
Capital Projects	4,461	(842)	3,619	(161)	3,458
State Share of Mental Hygiene Medicaid	1,437	(5)	1,432	0	1,432
SUNY Operations	996	0	996	0	996
Other Purposes	4,560	(195)	4,365	(56)	4,309
Total Disbursements	71,841	(1,521)	70,320	(628)	69,692
Use (Reservation) of Fund Balance:					
Community Projects	10	0	10	0	10
Potential Labor Agreements	15	60	75	(60)	15
Undesignated Fund Balance	87	0	87	150	237
Monetary Settlements	2,753	(875)	1,878	(438)	1,440
Programmed	2,873	(450)	2,423	270	2,693
Unbudgeted	(120)	(425)	(545)	(708)	(1,253)
Total Use (Reservation) of Fund Balance	2,865	(815)	2,050	(348)	1,702
Net General Fund Surplus (Deficit)	0	0	0	0	0

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018
(millions of dollars)

	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	35,839	(1,070)	34,769	637	35,406
Consumption/Use Taxes	7,424	(9)	7,415	99	7,514
Business Taxes	6,078	0	6,078	(123)	5,955
Other Taxes	970	0	970	(1)	969
Miscellaneous Receipts	2,486	0	2,486	(188)	2,298
Federal Receipts		0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	11,033	(340)	10,693	337	11,030
Sales Tax in Excess of LGAC	3,117	(2)	3,115	41	3,156
Sales Tax in Excess of Revenue Bond Debt Service	2,719	42	2,761	42	2,803
Real Estate Taxes in Excess of CW/CA Debt Service	1,021	0	1,021	7	1,028
All Other	750	(34)	716	208	924
Total Receipts	71,437	(1,413)	70,024	1,059	71,083
Disbursements:					
Local Assistance Grants	49,086	(597)	48,489	(1,242)	47,247
Departmental Operations:					
Personal Service	6,097	77	6,174	(159)	6,015
Non-Personal Service	2,558	74	2,632	(342)	2,290
General State Charges	5,824	186	6,010	(269)	5,741
Transfers to Other Funds:					
Debt Service	1,260	(3)	1,257	(311)	946
Capital Projects	3,019	419	3,438	79	3,517
State Share of Mental Hygiene Medicaid	1,325	(22)	1,303	(2)	1,301
SUNY Operations	1,001	0	1,001	(1)	1,000
Other Purposes	4,770	(165)	4,605	(264)	4,341
Total Disbursements	74,940	(31)	74,909	(2,511)	72,398
Use (Reservation) of Fund Balance:					
Community Projects	0	0	0	16	16
Potential Labor Agreements	0	0	0	(155)	(155)
Rainy Day Reserve	0	0	0	(150)	(150)
Monetary Settlements	902	450	1,352	252	1,604
Programmed	902	450	1,352	(1,546)	(194)
Unbudgeted	0	0	0	1,798	1,798
Total Use (Reservation) of Fund Balance	902	450	1,352	(37)	1,315
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(2,601)	(932)	(3,533)	3,533	0
Adherence to 2% Spending Benchmark*	2,956	(112)	2,844	(2,844)	0
Net General Fund Surplus (Deficit)	355	(1,044)	(689)	689	0

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2019
(millions of dollars)

	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	35,879	(1,112)	34,767	2,602	37,369
Consumption/Use Taxes	7,712	(9)	7,703	138	7,841
Business Taxes	6,155	0	6,155	(183)	5,972
Other Taxes	933	(1)	932	(1)	931
Miscellaneous Receipts	2,455	(7)	2,448	(158)	2,290
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,592	(386)	10,206	983	11,189
Sales Tax in Excess of LGAC	3,158	(2)	3,156	44	3,200
Sales Tax in Excess of Revenue Bond Debt Service	2,802	(6)	2,796	49	2,845
Real Estate Taxes in Excess of CW/CA Debt Service	1,076	0	1,076	9	1,085
All Other	750	(35)	715	26	741
Total Receipts	71,512	(1,558)	69,954	3,509	73,463
Disbursements:					
Local Assistance Grants	51,650	(251)	51,399	(1,428)	49,971
Departmental Operations:					
Personal Service	6,135	76	6,211	25	6,236
Non-Personal Service	2,364	81	2,445	(57)	2,388
General State Charges	6,033	351	6,384	(153)	6,231
Transfers to Other Funds:					
Debt Service	1,182	(1)	1,181	(25)	1,156
Capital Projects	3,399	(3)	3,396	531	3,927
State Share of Mental Hygiene Medicaid	1,301	(59)	1,242	(11)	1,231
SUNY Operations	997	0	997	0	997
Other Purposes	5,126	(105)	5,021	(309)	4,712
Total Disbursements	78,187	89	78,276	(1,427)	76,849
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	1,200	413	1,613
Programmed	1,200	0	1,200	413	1,613
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	1,200	413	1,613
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(5,475)	(1,647)	(7,122)	5,349	(1,773)
Adherence to 2% Spending Benchmark*	4,634	425	5,059	(2,594)	2,465
Net General Fund Surplus (Deficit)	(841)	(1,222)	(2,063)	2,755	692

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Executive (Amended)
Receipts:					
Taxes:					
Personal Income Tax	37,438	(1,153)	36,285	3,375	39,660
Consumption/Use Taxes	7,983	(10)	7,973	136	8,109
Business Taxes	6,538	0	6,538	(228)	6,310
Other Taxes	984	(1)	983	(1)	982
Miscellaneous Receipts	2,318	16	2,334	(159)	2,175
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,651	(363)	10,288	1,058	11,346
Sales Tax in Excess of LGAC	3,296	(2)	3,294	43	3,337
Sales Tax in Excess of Revenue Bond Debt Service	3,011	(31)	2,980	47	3,027
Real Estate Taxes in Excess of CW/CA Debt Service	1,128	0	1,128	9	1,137
All Other	734	(35)	699	27	726
Total Receipts	74,081	(1,579)	72,502	4,307	76,809
Disbursements:					
Local Assistance Grants	54,496	(88)	54,408	(1,631)	52,777
Departmental Operations:					
Personal Service	6,189	91	6,280	110	6,390
Non-Personal Service	2,451	71	2,522	(23)	2,499
General State Charges	6,417	431	6,848	(159)	6,689
Transfers to Other Funds:					
Debt Service	1,076	(18)	1,058	(8)	1,050
Capital Projects	3,311	28	3,339	442	3,781
State Share of Mental Hygiene Medicaid	1,236	(107)	1,129	(10)	1,119
SUNY Operations	997	0	997	0	997
Other Purposes	5,536	51	5,587	(356)	5,231
Total Disbursements	81,709	459	82,168	(1,635)	80,533
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	731	332	1,063
Programmed	731	0	731	332	1,063
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	731	332	1,063
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(6,897)	(2,038)	(8,935)	6,274	(2,661)
Adherence to 2% Spending Benchmark*	6,498	722	7,220	(2,467)	4,753
Net General Fund Surplus (Deficit)	(399)	(1,316)	(1,715)	3,807	2,092

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2018 THROUGH FY 2021
(millions of dollars)

	FY 2017 Projected	FY 2018 Proposed	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Taxes:					
Withholdings	37,575	39,359	41,214	43,267	44,387
Estimated Payments	14,976	17,025	18,527	20,175	22,196
Final Payments	2,615	2,836	3,044	3,193	3,403
Other Payments	1,358	1,418	1,491	1,555	1,622
Gross Collections	56,524	60,638	64,276	68,190	71,608
State/City Offset	(848)	(873)	(898)	(824)	(849)
Refunds	(8,367)	(9,082)	(10,289)	(11,372)	(10,700)
Reported Tax Collections	47,309	50,683	53,089	55,994	60,059
STAR (Dedicated Deposits)	(3,208)	(2,606)	(2,448)	(2,336)	(2,226)
RBTF (Dedicated Transfers)	(11,827)	(12,671)	(13,272)	(13,998)	(15,015)
Personal Income Tax	32,274	35,406	37,369	39,660	42,818
Sales and Use Tax	12,958	13,783	14,386	14,934	15,504
Cigarette and Tobacco Taxes	345	348	357	346	336
Motor Fuel Tax	0	0	0	0	0
Alcoholic Beverage Taxes	258	263	268	273	279
Medical Marihuana Excise Tax	0	0	0	0	0
Highway Use Tax	0	0	0	0	0
Auto Rental Tax	0	0	0	0	0
Taxicab Surcharge	0	0	0	0	0
TNC Assessment	0	12	23	23	23
Gross Utility Taxes and Fees	13,561	14,406	15,034	15,576	16,142
LGAC/STBF (Dedicated Transfers)	(6,479)	(6,892)	(7,193)	(7,467)	(7,752)
Consumption/Use Taxes	7,082	7,514	7,841	8,109	8,390
Corporation Franchise Tax	3,334	3,827	3,766	4,084	4,300
Corporation and Utilities Tax	568	559	563	569	575
Insurance Taxes	1,346	1,407	1,521	1,597	1,720
Bank Tax	323	162	122	60	0
Petroleum Business Tax	0	0	0	0	0
Business Taxes	5,571	5,955	5,972	6,310	6,595
Estate Tax	1,114	949	911	962	1,007
Real Estate Transfer Tax	1,138	1,210	1,265	1,315	1,367
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17	17
Other Taxes	3	3	3	3	3
Gross Other Taxes	2,272	2,179	2,196	2,297	2,394
Real Estate Transfer Tax (Dedicated)	(1,138)	(1,210)	(1,265)	(1,315)	(1,367)
Other Taxes	1,134	969	931	982	1,027
Payroll Tax	0	0	0	0	0
Total Taxes	46,061	49,844	52,113	55,061	58,830
Licenses, Fees, Etc.	619	661	634	666	640
Abandoned Property	435	450	450	450	450
Motor Vehicle Fees	178	228	241	253	248
ABC License Fee	59	65	64	66	61
Reimbursements	263	302	286	308	288
Investment Income	20	13	8	8	8
Other Transactions	2,225	579	607	424	356
Miscellaneous Receipts	3,799	2,298	2,290	2,175	2,051
Federal Receipts	0	0	0	0	0
Total	49,860	52,142	54,403	57,236	60,881

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	46,061	8,229	19,325	73,615
Miscellaneous Receipts	3,799	16,823	489	21,111
Federal Receipts	0	1	73	74
Total Receipts	49,860	25,053	19,887	94,800
Disbursements:				
Local Assistance Grants	44,826	19,639	0	64,465
Departmental Operations:				
Personal Service	6,099	6,936	0	13,035
Non-Personal Service	2,154	3,564	39	5,757
General State Charges	5,491	2,140	0	7,631
Debt Service	0	0	5,310	5,310
Capital Projects	0	2	0	2
Total Disbursements	58,570	32,281	5,349	96,200
Other Financing Sources (Uses):				
Transfers from Other Funds	18,130	7,781	3,517	29,428
Transfers to Other Funds	(11,122)	(689)	(18,042)	(29,853)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,008	7,092	(14,525)	(425)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,702)	(136)	13	(1,825)
Closing Fund Balance	7,232	3,411	173	10,816

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,232	3,411	173	10,816
Receipts:				
Taxes	49,844	7,738	20,654	78,236
Miscellaneous Receipts	2,298	16,406	459	19,163
Federal Receipts	0	1	73	74
Total Receipts	52,142	24,145	21,186	97,473
Disbursements:				
Local Assistance Grants	47,247	18,708	0	65,955
Departmental Operations:				
Personal Service	6,015	6,825	0	12,840
Non-Personal Service	2,290	3,432	37	5,759
General State Charges	5,741	2,199	0	7,940
Debt Service	0	0	5,566	5,566
Capital Projects	0	2	0	2
Total Disbursements	61,293	31,166	5,603	98,062
Other Financing Sources (Uses):				
Transfers from Other Funds	18,941	7,773	3,689	30,403
Transfers to Other Funds	(11,105)	(641)	(19,269)	(31,015)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,836	7,132	(15,580)	(612)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,315)	111	3	(1,201)
Closing Fund Balance	5,917	3,522	176	9,615

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,113	7,730	21,611	81,454
Miscellaneous Receipts	2,290	16,256	458	19,004
Federal Receipts	0	1	73	74
Total Receipts	54,403	23,987	22,142	100,532
Disbursements:				
Local Assistance Grants	49,971	18,640	0	68,611
Departmental Operations:				
Personal Service	6,236	6,868	0	13,104
Non-Personal Service	2,388	3,468	50	5,906
General State Charges	6,231	2,242	0	8,473
Debt Service	0	0	6,457	6,457
Capital Projects	0	0	0	0
Total Disbursements	64,826	31,218	6,507	102,551
Other Financing Sources (Uses):				
Transfers from Other Funds	19,060	7,987	3,857	30,904
Transfers to Other Funds	(12,023)	(347)	(19,488)	(31,858)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,037	7,640	(15,631)	(954)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,613	0	0	1,613
Programmed	1,613	0	0	1,613
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,613	0	0	1,613
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(1,773)	409	4	(1,360)
Adherence to 2% Spending Benchmark*	2,465	0	0	2,465
Net Surplus (Deficit)	692	409	4	1,105

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	55,061	7,725	22,661	85,447
Miscellaneous Receipts	2,175	16,146	459	18,780
Federal Receipts	0	1	73	74
Total Receipts	57,236	23,872	23,193	104,301
Disbursements:				
Local Assistance Grants	52,777	18,646	0	71,423
Departmental Operations:				
Personal Service	6,390	6,950	0	13,340
Non-Personal Service	2,499	3,450	50	5,999
General State Charges	6,689	2,297	0	8,986
Debt Service	0	0	7,093	7,093
Capital Projects	0	0	0	0
Total Disbursements	68,355	31,343	7,143	106,841
Other Financing Sources (Uses):				
Transfers from Other Funds	19,573	8,239	3,817	31,629
Transfers to Other Funds	(12,178)	(343)	(19,862)	(32,383)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,395	7,896	(16,045)	(754)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,063	0	0	1,063
Programmed	1,063	0	0	1,063
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,063	0	0	1,063
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(2,661)	425	5	(2,231)
Adherence to 2% Spending Benchmark*	4,753	0	0	4,753
Net Surplus (Deficit)	2,092	425	5	2,522

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,934	3,607	(891)	160	11,810
Receipts:					
Taxes	46,061	8,229	1,358	19,325	74,973
Miscellaneous Receipts	3,799	17,058	4,829	489	26,175
Federal Receipts	0	50,651	2,161	73	52,885
Total Receipts	49,860	75,938	8,348	19,887	154,033
Disbursements:					
Local Assistance Grants	44,826	66,337	3,569	0	114,732
Departmental Operations:					
Personal Service	6,099	7,568	0	0	13,667
Non-Personal Service	2,154	4,993	0	39	7,186
General State Charges	5,491	2,443	0	0	7,934
Debt Service	0	0	0	5,310	5,310
Capital Projects	0	2	7,334	0	7,336
Total Disbursements	58,570	81,343	10,903	5,349	156,165
Other Financing Sources (Uses):					
Transfers from Other Funds	18,130	7,781	3,633	3,517	33,061
Transfers to Other Funds	(11,122)	(2,513)	(1,450)	(18,042)	(33,127)
Bond and Note Proceeds	0	0	434	0	434
Net Other Financing Sources (Uses)	7,008	5,268	2,617	(14,525)	368
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,702)	(137)	62	13	(1,764)
Closing Fund Balance	7,232	3,470	(829)	173	10,046

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,232	3,470	(829)	173	10,046
Receipts:					
Taxes	49,844	7,738	1,298	20,654	79,534
Miscellaneous Receipts	2,298	16,622	7,232	459	26,611
Federal Receipts	0	52,099	2,093	73	54,265
Total Receipts	52,142	76,459	10,623	21,186	160,410
Disbursements:					
Local Assistance Grants	47,247	66,674	4,801	0	118,722
Departmental Operations:					
Personal Service	6,015	7,461	0	0	13,476
Non-Personal Service	2,290	4,866	0	37	7,193
General State Charges	5,741	2,516	0	0	8,257
Debt Service	0	0	0	5,566	5,566
Capital Projects	0	2	9,044	0	9,046
Total Disbursements	61,293	81,519	13,845	5,603	162,260
Other Financing Sources (Uses):					
Transfers from Other Funds	18,941	7,785	3,932	3,689	34,347
Transfers to Other Funds	(11,105)	(2,613)	(1,464)	(19,269)	(34,451)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	7,836	5,172	3,196	(15,580)	624
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,315)	112	(26)	3	(1,226)
Closing Fund Balance	5,917	3,582	(855)	176	8,820

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	52,113	7,730	1,374	21,611	82,828
Miscellaneous Receipts	2,290	16,472	6,989	458	26,209
Federal Receipts	0	53,347	2,091	73	55,511
Total Receipts	54,403	77,549	10,454	22,142	164,548
Disbursements:					
Local Assistance Grants	49,971	67,950	4,927	0	122,848
Departmental Operations:					
Personal Service	6,236	7,511	0	0	13,747
Non-Personal Service	2,388	4,860	0	50	7,298
General State Charges	6,231	2,562	0	0	8,793
Debt Service	0	0	0	6,457	6,457
Capital Projects	0	0	8,730	0	8,730
Total Disbursements	64,826	82,883	13,657	6,507	167,873
Other Financing Sources (Uses):					
Transfers from Other Funds	19,060	7,999	4,214	3,857	35,130
Transfers to Other Funds	(12,023)	(2,254)	(1,482)	(19,488)	(35,247)
Bond and Note Proceeds	0	0	431	0	431
Net Other Financing Sources (Uses)	7,037	5,745	3,163	(15,631)	314
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,613	0	0	0	1,613
Programmed	1,613	0	0	0	1,613
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,613	0	0	0	1,613
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(1,773)	411	(40)	4	(1,398)
Adherence to 2% Spending Benchmark*	2,465	0	0	0	2,465
Net Surplus (Deficit)	692	411	(40)	4	1,067

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	55,061	7,725	1,368	22,661	86,815
Miscellaneous Receipts	2,175	16,362	6,808	459	25,804
Federal Receipts	0	55,082	2,147	73	57,302
Total Receipts	57,236	79,169	10,323	23,193	169,921
Disbursements:					
Local Assistance Grants	52,777	69,892	4,785	0	127,454
Departmental Operations:					
Personal Service	6,390	7,597	0	0	13,987
Non-Personal Service	2,499	4,862	0	50	7,411
General State Charges	6,689	2,622	0	0	9,311
Debt Service	0	0	0	7,093	7,093
Capital Projects	0	0	8,260	0	8,260
Total Disbursements	68,355	84,973	13,045	7,143	173,516
Other Financing Sources (Uses):					
Transfers from Other Funds	19,573	8,251	4,042	3,817	35,683
Transfers to Other Funds	(12,178)	(2,021)	(1,737)	(19,862)	(35,798)
Bond and Note Proceeds	0	0	390	0	390
Net Other Financing Sources (Uses)	7,395	6,230	2,695	(16,045)	275
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,063	0	0	0	1,063
Programmed	1,063	0	0	0	1,063
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,063	0	0	0	1,063
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(2,661)	426	(27)	5	(2,257)
Adherence to 2% Spending Benchmark*	4,753	0	0	0	4,753
Net Surplus (Deficit)	2,092	426	(27)	5	2,496

* Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2017
(dollars in millions)

	2016 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2017 January Results	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,893	7,751	7,210	6,765	6,229	9,566	8,923	7,532	9,054	11,086	12,188	8,934
RECEIPTS:													
Personal Income Tax	4,787	1,639	3,123	1,921	2,205	3,420	1,895	1,560	3,457	3,452	2,594	2,221	32,274
Consumption/Use Taxes	547	523	711	569	537	713	549	552	687	594	455	645	7,082
Business Taxes	158	84	871	71	42	1,079	409	(116)	1,045	(8)	(367)	2,303	5,571
Other Taxes	75	108	79	74	125	88	100	94	158	64	84	85	1,134
Total Taxes	5,567	2,354	4,784	2,635	2,909	5,300	2,953	2,090	5,347	4,102	2,766	5,254	46,061
Abandoned Property	0	0	0	0	0	38	29	159	49	0	25	135	435
ABC License Fee	6	5	4	4	5	5	5	4	4	6	4	7	59
Investment Income	2	2	2	1	1	1	1	2	1	1	3	3	20
Licenses, Fees, etc.	22	70	54	49	62	33	52	53	65	69	40	50	619
Motor Vehicle Fees	17	16	26	(4)	30	6	(50)	69	17	8	20	23	178
Reimbursements	6	16	36	8	7	49	4	28	28	3	25	53	263
Other Transactions	16	404	54	29	216	149	56	304	345	52	469	131	2,225
Total Miscellaneous Receipts	69	513	176	87	321	281	97	619	509	139	586	402	3,799
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,594	531	1,181	469	270	1,430	633	246	1,187	582	592	1,706	10,421
Tax in Excess of LGAC	247	111	453	254	203	327	250	248	317	268	3	185	2,866
Sales Tax Bond Fund	196	184	274	201	189	295	191	205	260	211	156	307	2,669
Real Estate Taxes in Excess of CW/CA Debt Service	74	74	91	96	85	83	79	77	71	78	73	71	952
All Other	5	39	23	6	0	44	21	43	4	87	139	811	1,222
Total Transfers from Other Funds	2,116	939	2,022	1,026	747	2,179	1,174	819	1,839	1,226	963	3,080	18,130
TOTAL RECEIPTS	7,752	3,806	6,982	3,748	3,977	7,760	4,224	3,528	7,695	5,467	4,315	8,736	67,990
DISBURSEMENTS:													
School Aid	754	2,900	1,898	48	645	1,620	911	1,421	1,782	585	638	7,853	21,055
Higher Education	19	25	648	218	124	166	357	42	151	51	141	1,042	2,984
All Other Education	52	118	514	146	238	68	113	195	79	33	345	285	2,186
Medicaid - DOH	998	1,267	1,441	1,087	1,288	1,216	1,020	1,367	1,223	822	337	368	12,434
Public Health	20	207	52	57	39	36	41	65	41	96	36	41	731
Mental Hygiene	3	1	202	1	4	199	12	2	242	(1)	139	75	879
Children and Families	27	33	271	194	69	88	65	96	315	120	18	401	1,697
Temporary & Disability Assistance	95	94	156	93	97	110	96	93	91	94	107	96	1,222
Transportation	0	23	11	0	24	0	0	24	10	0	13	1	106
Unrestricted Aid	0	11	389	9	0	98	8	1	181	0	0	63	760
All Other	9	19	93	31	46	53	58	30	36	(64)	56	405	772
Total Local Assistance Grants	1,977	4,698	5,675	1,884	2,574	3,654	2,681	3,336	4,151	1,736	1,830	10,630	44,826
Personal Service	475	488	609	476	490	578	462	621	484	430	438	548	6,099
Non-Personal Service	103	135	162	132	186	171	221	205	130	150	240	319	2,154
Total Departmental Operations	578	623	771	608	676	749	683	826	614	580	678	867	8,253
General State Charges	2,440	193	391	404	365	0	500	(20)	402	351	(22)	487	5,491
Debt Service	245	(2)	(3)	167	(18)	(80)	104	(2)	(2)	344	(19)	193	927
Capital Projects	162	179	107	344	342	(8)	281	287	443	243	572	506	3,458
State Share Medicaid	95	105	162	127	89	61	80	178	94	50	111	280	1,432
SUNY Operations	213	213	212	179	0	0	0	179	0	0	0	0	996
Other Purposes	83	939	208	480	485	47	538	135	471	131	63	729	4,309
Total Transfers to Other Funds	798	1,434	686	1,297	898	20	1,003	777	1,006	768	727	1,708	11,122
TOTAL DISBURSEMENTS	5,793	6,948	7,523	4,193	4,513	4,423	4,867	4,919	6,173	3,435	3,213	13,692	69,692
Excess/(Deficiency) of Receipts over Disbursements	1,959	(3,142)	(541)	(445)	(536)	3,337	(643)	(1,391)	1,522	2,032	1,102	(4,956)	(1,702)
CLOSING BALANCE	10,893	7,751	7,210	6,765	6,229	9,566	8,923	7,532	9,054	11,086	12,188	7,232	7,232

Source: NYS DOB.

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New York State
Annual Information Statement

June 29, 2016

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Introduction

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Introduction

This Annual Information Statement (AIS) is dated June 29, 2016 and contains information only through that date. This AIS constitutes the official disclosure regarding the financial position of the State of New York (the "State") and related matters and replaces the AIS dated June 1, 2015 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State's current financial projections, including summaries and extracts from the State's Enacted Budget Financial Plan (the "Financial Plan" or "Enacted Budget") for fiscal year 2017[1] (FY 2017), issued by the Division of the Budget (DOB) in May 2016. The Enacted Budget sets forth the State's official Financial Plan projections for FY 2017 through FY 2020. It includes, among other things, information on the major components of the FY 2017 General Fund gap-closing plan, future potential General Fund budget gaps, and multi-year projections of receipts and disbursements in the State's operating funds.

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

3. Information on other subjects relevant to the State's finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State's revised economic forecast and a profile of the State economy, (c) the State's debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.

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

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

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

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

however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial position of the State.

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

Note that all FY 2016 financial results contained within this AIS are unaudited and preliminary. The annual independent audit of the State's Basic Financial Statements is expected to be completed by July 29, 2016. Both the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting and the State's Basic Financial Statements are due by July 29, 2016. These reports will contain the final FY 2016 financial results. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236. The Basic Financial Statements for FY 2015 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

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

Usage Notice

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

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

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

Budgetary and Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

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

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

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

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

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

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

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

Financial Plan Overview

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

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

	FY 2016		FY 2017	
	Executive Revised[1]	Results	Executive Amended[2]	Enacted
State Operating Funds Disbursements				
Size of Budget	$94,289	$94,288	$95,898	$96,180
Annual Growth	2.0%	2.0%	1.7%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	$57,563	$56,666	$59,133	$59,681
Annual Growth	6.1%	4.4%	4.4%	5.3%
General Fund (Including Transfers)[3]	$72,583	$68,042	$70,636	$71,841
Annual Growth	15.5%	8.3%	3.8%	5.6%
State Funds (Including Capital)	$102,153	$101,232	$105,276	$106,302
Annual Growth	4.1%	3.1%	4.0%	5.0%
Capital Budget (Federal and State)*	$9,268	$8,981	$9,682	$11,920
Annual Growth	22.8%	19.0%	7.8%	32.7%
Federal Operating Aid (Excluding Extraordinary Aid) *	$40,030	$40,601	$39,786	$40,054
Annual Growth	3.5%	5.0%	-2.0%	-1.3%
All Funds (Excluding Extraordinary Aid) *	$143,587	$143,870	$145,366	$148,154
Annual Growth	3.6%	3.8%	1.0%	3.0%
Capital Budget (Including "Off-Budget") *	$10,027	$9,549	$10,535	$12,723
Annual Growth	21.0%	15.2%	10.3%	33.2%
All Funds (Including "Off-Budget" Capital) *	$144,346	$144,438	$146,219	$148,957
Annual Growth	3.6%	3.6%	1.2%	3.1%
Inflation (CPI)	0.4%	0.4%	1.3%	1.4%
All Funds Receipts				
Taxes	$75,083	$74,673	$77,625	$77,128
Annual Growth	5.7%	5.1%	4.0%	3.3%
Miscellaneous Receipts	$26,333	$27,268	$24,159	$23,567
Annual Growth	-10.5%	-7.4%	-11.4%	-13.6%
Federal Grants *	$44,579	$44,486	$43,242	$43,700
Annual Growth	2.7%	2.5%	-2.8%	-1.8%
Total Receipts *	$145,995	$146,427	$145,026	$144,395
Annual Growth	1.5%	1.8%	-1.0%	-1.4%
General Fund Cash Balance	$5,011	$8,934	$3,158	$6,069
Stabilization/Rainy Day Reserve Funds	$1,798	$1,798	$1,798	$1,798
Monetary Settlements[4]	$2,617	$6,300	$555	$3,547
All Other Reserves/Fund Balances	$596	$836	$805	$724
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,311	117,863	118,538	118,590
Debt				
Debt Service as % All Funds Receipts	3.9%	4.0%	3.9%	3.7%
State-Related Debt Outstanding	$52,751	$52,102	$54,693	$52,555
Debt Outstanding as % Personal Income	4.6%	4.6%	4.6%	4.4%

[1] Updated as part of the FY 2017 Executive Budget, as amended.

[2] The annual percentage change calculations in the FY 2017 "Executive Amended" column have been updated for FY 2016 results.

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

[4] Changes to expected monetary settlement balances since the FY 2017 Executive Budget reflect how DOB had originally planned to execute the majority of DIIF transfers during FY 2016, but now intends to make these transfers on an as-needed basis over the next five years.

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

General Fund Cash Basis Financial Plan

Summary of Preliminary Unaudited Results for FY 2016 (Ended March 31, 2016)

The receipt of monetary settlements has had a dramatic temporary effect on the State's cash position.[2] The following table summarizes the variance between the last FY 2016 update included with the FY 2017 Executive Budget Financial Plan, as amended (the "Executive Budget Financial Plan") (dated February 2016) and year-end results, with and without monetary settlements (beyond the settlement amounts annually budgeted in the General Fund Financial Plan for operating purposes).[3]

FY 2016 GENERAL FUND OPERATING RESULTS
SUMMARY OF CHANGES FROM EXECUTIVE BUDGET
(millions of dollars)

	Revised Plan	Results	Variance
Opening Fund Balance (Excluding Monetary Settlements)	**2,633**	**2,633**	**0**
Receipts	**66,944**	**66,336**	**(608)**
Tax Receipts	63,247	62,581	(666)
Miscellaneous Receipts/Other Non-Tax Revenue[1]	3,697	3,755	58
Spending	**67,183**	**66,335**	**(848)**
Local Assistance	44,153	43,314	(839)
Agency Operations	13,410	13,352	(58)
Transfers to Other Funds	9,620	9,669	49
Net Change in Operations	**(239)**	**1**	**240**
Closing Fund Balance (Excluding Monetary Settlements)	**2,394**	**2,634**	**240**
Monetary Settlements			
Settlements on Hand as of April 1, 2015	4,667	4,667	0
New Settlements Received in FY 2016	3,605	3,605	0
Transfers/Uses	(5,655)	(1,972)	3,683
Closing Fund Balance (Including Monetary Settlements)	**5,011**	**8,934**	**3,923**

[1] Includes $250 million in settlement money budgeted for operating purposes.

As shown in the table above, the State ended FY 2016 with a General Fund cash balance of $8.9 billion, including monetary settlements. The closing balance was $3.9 billion higher than estimated in the Executive Budget Financial Plan. Most of the variance was due to the timing of transfers of monetary settlements from the General Fund to other funds. DOB had previously planned to execute most of those transfers to the State's Dedicated Infrastructure Investment Fund (DIIF) during FY 2016, but now intends to make them on an as-needed basis over the next five years to finance spending from DIIF as it occurs. The FY 2017 Enacted Budget provides transfer authority from the General Fund to DIIF for five years.

[2] The sources and uses of monetary settlements are described in more detail later in this AIS.

[3] Amounts budgeted for General Fund balance totaled $275 million in FY 2015, $250 million in FY 2016, and $102 million in FY 2017.

FY 2016 Year-End Results, Excluding Monetary Settlements

The State ended FY 2016 in balance on a General Fund cash basis, with receipts exceeding disbursements by $1 million. The General Fund closing balance was $240 million higher than estimated in the Executive Budget Financial Plan.

General Fund receipts, including transfers from other funds, totaled $66.3 billion, or $608 million lower than estimated in the Executive Budget Financial Plan. The variance was mainly due to lower business tax collections as a result of payment timing changes and lower than expected audit receipts in the corporate franchise tax, and a modest variance in PIT collections. Miscellaneous receipts and non-tax transfers totaled $3.8 billion, or $58 million higher than expected.

General Fund disbursements, including transfers to other funds, totaled $66.3 billion, a decrease of $848 million from the Executive Budget Financial Plan. The significant variances in local assistance and agency operations are due in large part to the cautious calculation of General Fund expenses. Local assistance disbursements were $839 million below budgeted levels, with lower spending in education, health, local government aid, and other purposes. Disbursements for agency operations, including fringe benefits, were $58 million lower than planned. Transfers to other funds were $49 million higher than budgeted.

In comparison to the Executive Budget Financial Plan, the State paid an additional $197 million in debt service and fringe benefits that were due in FY 2017. The prepayments are reflected in the totals for tax receipts, agency operations, and transfers reported above.

The payment of FY 2017 expenses during FY 2016 totaled $1.6 billion, consisting of approximately $800 million in disbursements and another approximately $800 million in accelerated refund payments to taxpayers, in comparison to the FY 2016 Enacted Budget Financial Plan. The advance payment of FY 2017 debt service expenses during FY 2016 totaled $710 million. The monthly workers' compensation payment for February 2016 liabilities that was planned for April 2016 was also paid ($37 million), and a transfer to the DHBTF was completed to offset the expected loss of FY 2017 highway use tax decal and registration fees ($59 million) that were declared unconstitutional.

The State ended FY 2016 with a General Fund cash balance, excluding monetary settlements, of $2.6 billion. The balance consists of $1.8 billion in the State's rainy day funds, $63 million in the Community Projects Fund, and $21 million in the Contingency Reserve Fund. In addition, the balance included $500 million set aside for debt management and $15 million for costs of labor agreements. The undesignated fund balance is $237 million.

Budget Negotiations and Subsequent Events

During budget negotiations, the Executive and Legislature agreed to $1.2 billion in General Fund additions and restorations to the Executive Budget proposal for FY 2017.[4] The budget agreement included a substantial increase in School Aid above the Executive proposal ($382 million on a State Fiscal Year basis). School Aid is expected to total $24.8 billion in school year (SY) 2017, an annual increase of $1.5 billion (6.5 percent). Other spending additions, totaling $281 million, were approved for a range of purposes, including education, higher education, and human services. (See "Changes to the Executive Budget" herein.)

Significant budgetary savings initiatives, including the realignment of funding shares for the City University of New York (CUNY) and the New York City Medicaid program, were not included in the final budget agreement.[5] As a result, the spending reductions (from the current-services projections) needed to limit spending growth in future fiscal years to 2 percent increased, in comparison to the FY 2017 Executive Budget proposal. In addition, proposals to cap the annual growth in STAR benefits, reform medical malpractice insurance, and calibrate State retiree health benefits with years of service were not approved.

The Enacted Budget authorized new tax reductions that take effect in FY 2018. The most significant of these will reduce marginal personal income tax rates on middle incomes from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent. This tax reduction is estimated to cost $236 million in FY 2018, growing to $1.5 billion in FY 2020, on a cash basis. On a liability basis, the value of the tax reduction is estimated at $4.2 billion, when fully effective in calendar year 2025.

The Enacted Budget authorizes regional, phased in increases to the State's hourly minimum wage. In New York City, the minimum wage will increase to $15 by the end of December 2018 for workers in businesses with more than ten employees, and by the end of December 2019 for workers in businesses with ten or fewer employees. In Nassau, Suffolk and Westchester counties, the minimum wage will increase to $15 at the end of December 2021. For the rest of the State, the minimum wage will increase to $12.50 by the end of December 2020, after which it will continue to increase to a maximum level of $15 on an indexed schedule to be set by the Director of DOB in consultation with the Department of Labor (DOL). Beginning in 2019, the Director of DOB will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary. The Enacted Budget includes funding for salary and related fringe benefit costs associated with minimum wage increases for the State-share of Medicaid-funded and related programs. In FY 2017, this funding covers increases for employees currently making below the hourly minimum wage of $11.00 in New York City, $10.00 in Long Island and Westchester, and $9.70 in the rest of New York.[6]

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[4] Additions represent distinct new spending added to the Executive Budget Financial Plan proposal. Restorations are costs from the rejection of certain savings proposals contained in the Executive Budget Financial Plan.

[5] The CUNY proposal in the Executive Budget would have reduced State spending by an estimated $393 million in FY 2017. The Executive Budget recommended setting aside $240 million in savings from the proposal to fund a reserve for the settlement of CUNY collective bargaining agreements.

[6] Scheduled to take effect on December 31, 2016.

In addition to the final outcome of budget negotiations, the Enacted Budget incorporates updated economic forecasts for the U.S. and the State. National economic data are sending mixed signals. General economic indicators, including private-sector employment, wages, and residential investment continue to show steady growth, suggesting a relatively low risk of a recession. However, plant, equipment, and software investment by business continues to be weak, which is likely to dampen the potential strength of the recovery. For New York, the economy continues to perform well, with solid growth in private-sector employment and wages. However, the relatively weak performance of the financial sector is negatively affecting taxable personal income and, by extension, PIT receipts. Tax collections in April were $370 million below the Executive Budget Financial Plan estimate, with most of the variance concentrated in the PIT. As a result of the revisions to taxable income, as well as other factors, DOB has lowered the forecast for General Fund tax receipts by $350 million in comparison to the Executive Budget Financial Plan. DOB will continue to monitor the performance of the financial sector and tax collections in the first quarter, with downward revisions to tax receipts possible in the current year and future years if weakness persists. (See "Financial Plan Projections Fiscal Years 2017 Through 2020" herein.)

The Enacted Budget Financial Plan identifies savings in FY 2017 that DOB estimates will be sufficient to fund the additions and restorations from budget negotiations, as well as to cover the new costs that have emerged. These include: substantially lower-than-budgeted aid claims for school districts and the STAR program; the use of resources accumulated in prior years but not needed to maintain budget balance in those years (e.g., fund balances); the payment of FY 2017 expenses in FY 2016 beyond the level assumed in the Executive Budget Financial Plan; and spending reestimates across a range of programs and activities based on FY 2016 results.

FY 2017 Financial Plan

DOB estimates that the Enacted Budget Financial Plan provides for balanced operations in the General Fund in FY 2017. General Fund disbursements are projected to exceed receipts by $112 million. The difference is funded with $87 million from the FY 2016 undesignated General Fund balance, $15 million from the balance set aside for prior-year labor settlements, and $10 million from the Community Projects Fund.

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

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Annual Change: Dollar	Annual Change: Percent
Opening Fund Balance (Excluding Monetary Settlements)	2,633	2,634	1	0.0%
Total Receipts	66,336	68,958	2,622	4.0%
Taxes	62,581	65,117	2,536	4.1%
Miscellaneous Receipts/Federal Grants	2,800	2,795	(5)	-0.2%
Other Transfers	955	1,046	91	9.5%
Total Disbursements	66,335	69,070	2,735	4.1%
Local Assistance Grants	43,314	45,957	2,643	6.1%
Agency Operations	13,352	13,724	372	2.8%
Transfers to Other Funds[1]	9,669	9,389	(280)	-2.9%
Net Change in Operations	1	(112)	(113)	n/a
Closing Fund Balance (Excluding Monetary Settlements)	2,634	2,522	(112)	-4.3%
Monetary Settlements				
Settlements on Hand as of April 1	4,667	6,300		
New Settlements Received in FY 2016	3,605	190		
Transfers/Uses	(1,972)	(2,943)		
Closing Fund Balance (Including Monetary Settlements)	8,934	6,069	(2,865)	-32.1%

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

As shown in the table above, the State expects to end FY 2017 with a General Fund cash balance of $6.1 billion, a decrease of $2.9 billion from FY 2016. As in FY 2016, the decline is due to the change in monetary settlements on hand. DOB intends to make transfers of monetary settlements on an as-needed basis over the next five years as spending occurs. Legislation included with the FY 2017 Enacted Budget provides transfer authority from the General Fund to DIIF for five years.

Receipts (Excluding Monetary Settlements)

General Fund receipts, including transfers from other funds, are projected to total $69 billion in FY 2017, an increase of $2.6 billion (4 percent) from FY 2016 results. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $65.1 billion in FY 2017, an increase of $2.5 billion (4.1 percent) from FY 2016 results.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to total $44.8 billion, an increase of $2.7 billion (6.3 percent) from FY 2016 results. This primarily reflects increases in withholding and estimated payments attributable to the 2016 tax year, and the acceleration of tax refund payments from FY 2017 into FY 2016.

General Fund consumption/use tax receipts, including transfers after payment of debt service on Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total $12.6 billion in FY 2017, an increase of $296 million (2.4 percent) from FY 2016 results, reflecting projected growth in taxable consumption.

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

Other tax receipts in the General Fund are expected to total $2.0 billion in FY 2017, a decrease of $516 million (20.5 percent) from FY 2016 results. This primarily reflects an extraordinary level of estate tax and real estate transfer tax collections in FY 2016 that are not expected to recur.

General Fund non-tax receipts and transfers are estimated at $3.8 billion in FY 2017, an increase of $86 million from FY 2016 results. The increase is primarily due to transfers from a variety of accounts that have accumulated resources in prior years.

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

Disbursements (Excluding Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total $69.1 billion in FY 2017, an increase of $2.7 billion (4.1 percent) from FY 2016[7]. Local assistance grants are expected to total $46 billion in FY 2017, an increase of $2.6 billion (6.1 percent) from FY 2016, including $968 million for School Aid (on a State fiscal year basis), $547 million for Medicaid and the Essential Plan (EP), and $242 million for education programs outside of School Aid. Other increases reflect anticipated payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between Financial Plan categories and across fund types.

Disbursements for agency operations, including fringe benefits and fixed costs, in the General Fund are expected to total $13.7 billion in FY 2017, an annual increase of $372 million (2.8 percent). Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the Department of Health (DOH) to operate the New York State of Health (NYSOH) health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. In addition, operating costs for many agencies are charged to several funds, as well as affected by offsets and accounting reclassifications.

General Fund transfers to other funds are estimated to total $9.4 billion in FY 2017, a decrease of $280 million from FY 2016. This change is comprised mainly of a lower level of transfers for debt service, which is primarily due to FY 2016 payments of FY 2017 expenses.

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

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

Closing Balance for FY 2017

DOB projects that the State will end FY 2017 with a General Fund cash balance of $6.1 billion, a decrease of $2.9 billion from FY 2016. The balance from monetary settlements is expected to total $3.6 billion, a decrease of $2.7 billion from FY 2016. The decrease reflects the timing of planned transfers to other funds from which monetary settlements will be spent. The balance, excluding settlements, is estimated to be $2.5 billion, or $112 million lower than FY 2016. The decline reflects use of Community Projects Fund resources ($10 million) to support estimated spending and the use of resources carried forward from FY 2016 ($102 million).[8]

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

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

TOTAL BALANCES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	**8,934**	**6,069**	**(2,865)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	63	53	(10)
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements Prior to FY 2017	15	150	135
Monetary Settlements	6,300	3,547	(2,753)
Programmed	5,755	2,882	(2,873)
Unbudgeted	545	665	120
Undesignated Fund Balance	237	0	(237)

[8] The undesignated fund balance carried forward from FY 2016 totaled $237 million, of which $150 million is now reserved for potential costs of prior year labor agreements and the remaining $87 million planned for use in FY 2017.

FY 2017 Detailed Gap-Closing Plan

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

FY 2017 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(1,781)**	**(2,802)**	**(4,414)**	**(4,205)**
SPENDING CHANGES	**2,143**	**695**	**231**	**(477)**
Agency Operations	**340**	**44**	**(72)**	**(488)**
Executive Agency Operations	168	70	97	33
Fringe Benefits/Fixed Costs	193	(11)	(154)	(506)
University Systems/Independent Officials	(21)	(15)	(15)	(15)
Local Assistance	**1,793**	**1,459**	**1,451**	**1,538**
Higher Education	49	51	49	38
Mental Hygiene	174	90	16	(54)
Health Care	287	201	154	174
STAR *	184	477	575	670
Human Services/Housing	150	74	71	60
Updated Aid Claims	576	407	459	464
All Other	373	159	127	186
Debt Management	**723**	**367**	**243**	**304**
Capital Projects	**72**	**(13)**	**85**	**(11)**
Initiatives/Investments	**(785)**	**(1,162)**	**(1,476)**	**(1,820)**
School Aid	(382)	(587)	(612)	(640)
Education/Higher Education	(132)	(128)	(113)	(83)
Minimum Wage Increase	(19)	(126)	(355)	(588)
SUNY/CUNY Performance Incentive Program	0	(30)	(30)	(30)
Charter School Funding	0	(27)	(27)	(27)
All Other	(252)	(264)	(339)	(452)
RESOURCE CHANGES	**(362)**	**(220)**	**(106)**	**(572)**
Tax Revisions	(579)	(44)	164	100
Federal DSHP Resources	(250)	0	0	0
STARC Debt Refunding Savings	200	200	200	0
STAR Conversion*	(98)	(281)	(574)	(671)
All Other	365	(95)	104	(1)
TAX ACTIONS	**0**	**(274)**	**(1,186)**	**(1,643)**
Middle Class Tax Cuts	0	(236)	(1,071)	(1,504)
Other Tax Extenders/Credits	0	(38)	(115)	(139)
ADHERENCE TO 2% SPENDING BENCHMARK [2]	**n/a**	**2,956**	**4,634**	**6,498**
ENACTED BUDGET SURPLUS/(GAP)	**0**	**355**	**(841)**	**(399)**

[1] State Fiscal Year 2016 Mid-Year Update, dated November 2015.

[2] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on FY 2017 projections). The Governor is expected to propose, and negotiate with the Legislature to enact, an annual budget that restricts State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate assumes that <u>all</u> savings from holding spending growth to 2 percent are made available to the General Fund. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

* Converting the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners. See "STAR Program" in "Financial Plan Projections Fiscal Years 2017 through 2020" herein.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service (NPS) costs (e.g., supplies, utilities). Redesign and cost-control efforts are expected to continue to reduce spending compared to current service projections. Reductions from the prior projections for agency operations, included with the FY 2017 Executive Budget, contribute $340 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** Compared to the current service projections, savings are due to holding most agency operating budgets at a constant level across the Financial Plan period; the continued transition of individuals from mental hygiene institutions to appropriate community settings; and the alignment of certain operating and equipment costs with capital and Federal financing sources. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including the utilization of a management system known as "Lean" which applies a series of principles to streamline operations and management.

  On a State Operating Funds basis, and excluding the 27th institutional payroll in FY 2016 and certain repayments to the New York Power Authority (NYPA), Executive agency operational costs are expected to total $10.0 billion in FY 2017, slightly lower than FY 2016. In FY 2018 and beyond, spending is expected to increase by $60 million to $80 million annually. Agencies with growth include DOH, reflecting the NYSOH benefit exchange and the new EP program; Corrections; State Police; Gaming; Office of Mental Health (OMH); Office for People with Developmental Disabilities (OPWDD); and Office for Children and Family Services (OCFS).

- **Fringe Benefits/Fixed Costs:** Estimates for fringe benefits and fixed costs have been lowered to reflect the payment of the FY 2017 Employees' Retirement System (ERS) and Police and Fire Retirement System (PFRS) pension bill in April 2016 rather than on the March 1, 2017 due date. In addition, resources are expected to be provided directly to the State Insurance Fund (SIF) to offset the State's cost for workers' compensation claims over the next four years ($140 million in FY 2017; $100 million in both FY 2018 and 2019, and $35 million in FY 2020). Increasing fringe benefit costs associated with updated baseline growth in health insurance rate renewals and workers' compensation costs offset these savings in future years.

- **University Systems:** Spending on the State University of New York (SUNY) operations will be reduced through the discontinuation of previous legislative additions.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate $1.8 billion in General Fund savings.[9] Savings are expected from both targeted actions and continuation of prior-year cost containment. Specifically:

- **Higher Education:** Savings include revisions to scholarship awards due to updates in both enrollment patterns and average award amounts.

- **Mental Hygiene:** The spending has been reduced to reflect revised timelines for ongoing transformation efforts in the mental hygiene system, and the Federal government's extension of the timeframe to disburse funding from the Balancing Incentive Program (BIP).

- **Health Care:** Spending estimates have been reduced for the Child Health Plus (CHP) program as a result of Federal funding under the ACA. Savings also reflect additional HCRA resources that lower General Fund spending. Furthermore, additional means to offset costs under the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative authorized in the FY 2017 Enacted Budget. This voluntary initiative permits DOH and local social service districts to formulate a joint plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide Financial Plan savings.

- **STAR:** The Enacted Budget Financial Plan reflects the gradual transformation of the STAR benefit to a refundable PIT credit. While the new credit becomes effective in the 2016 tax year, the change only applies to new housing transactions, i.e., new homebuyers, and homeowners who move.[10] This transformation reduces State spending and more appropriately reflects the program costs as a tax expenditure, which is the current basis of the program, and provides more transparency regarding school tax levy growth. In addition, the New York City PIT STAR credit will be converted to a New York State PIT STAR credit, a simple reporting change that eliminates the need to reimburse costs paid by the City.

- **Human Services:** Savings reflect the use of Temporary Assistance to Needy Families (TANF) funding sources to reduce OCFS Child Care General Fund spending. They also reflect a one-time revision to the Pay For Success program based on timing, and updated spending forecasts in several programs, including OCFS spending on detention reconciliation, the Committee on Special Education, and Medicaid-related foster care spending. These savings are partially offset by revised costs for public assistance, based on an update to DOB's caseload models as well as spending in the Bridges to Health program and the reinvestment of State savings gained from Federal rule changes in post-

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

[10] Transforming the STAR benefit to a refundable credit will result in lower STAR spending with a comparable decrease in PIT receipts. This change has no impact on the STAR benefits received by homeowners.

adoption and primary preventive services. This reinvestment is required in order to continue Federal provision of Title IV-E funds.

- **Updated Aid Claims:** Savings are expected due to updated claims for expense-based aid programs submitted by school districts and the STAR program, including claims for transportation, building aid and special education.

- **All Other:** Savings are expected from additional lottery/Video Lottery Terminal (VLT) receipts available to fund School Aid; use of available Mortgage Insurance Fund (MIF) resources to fund initiatives addressing housing and homelessness programs; special education programs and grant spending based on updated information; funding certain local government programs with available resources earmarked for municipal restructuring; and spending revisions based on utilization trends in other local assistance programs.

Debt Management

Savings reflect the prepayment of $710 million of FY 2017 expenses in FY 2016 and $60 million of FY 2018 expenses in FY 2017, as well as expected refundings, continued use of competitive bond sales, and other debt management resources.

Capital Projects

General Fund support for capital projects is lower due to the use of accumulated resources, such as the use of available bond proceeds, and as a result of lower than anticipated capital spending.

Initiatives/Investments

During budget negotiations, the Executive and Legislature agreed to $663 million in new spending additions beyond the Executive Budget proposal. (See “Changes to the Executive Budget” herein.)

The Enacted Budget includes the Executive-recommended spending increases for SUNY State-operated campuses and CUNY senior colleges; charter school tuition; homelessness, poverty reduction; the State subsidy to maintain Verrazano Bridge toll levels; victim services; upstate transit infrastructure; violence prevention; and aging. It also reflects debt service costs for new capital initiatives to be funded with bonds.

Resource Changes

- **Tax Revisions:** The estimate for annual tax receipts has been revised to reflect the updated forecast for the U.S. and State economies and results to date. In addition, the reconciliation of prior year tax collections from mobile telecommunication services companies is expected to reduce sales tax collections.

- **Federal Designated State Health Program (DSHP) Resources:** FY 2017 resources have been reduced by $250 million to remove previously expected Federal DSHP revenue to support transformational changes in the Mental Hygiene service delivery system while the State pursues the matter with the Centers for Medicare & Medicaid Services (CMS).

- **Sales Tax Asset Receivable Corporation (STARC) Debt Refunding Savings**: The Enacted Budget includes a provision that permits the State to realize refunding savings on debt funded exclusively with State resources. In 2004, STARC issued $2.6 billion in debt (STARC bonds) to refinance certain obligations related to the New York City fiscal crisis. The STARC bonds are secured by $170 million in annual State sales tax payments to STARC through 2034. In October 2014, STARC refunded the STARC bonds, generating about $650 million in debt service savings that, due to structuring provisions, accrued to New York City. Given the unique structure of the STARC bonds, the State will recoup the savings on the refunding of the STARC bonds over the next three State fiscal years through the adjustment of sales tax receipts otherwise payable to New York City.

- **STAR Program Conversion:** The conversion of the NYC PIT STAR credit to a State credit, and the conversion of the STAR benefit to a tax credit for new and relocated homeowners, will result in lower General Fund tax collections in upcoming fiscal years. There will be no impact on the level of benefits for taxpayers covered by the change.

- **Other Resource Changes:** Other changes include updated estimates of various miscellaneous receipts and accumulated transfers from other funds, including revenue transfers from the collection of franchise operator fees for gaming facilities, Federal health care reimbursements, and NYPA to support annual energy-related program activity, with no additional contributions expected.

Tax Actions

- **Middle Class Tax Cuts:** Effective in FY 2018, the Enacted Budget provides reduced personal income tax rates over the course of eight years for New York's middle-income families and small businesses. When fully phased-in, the range of marginal tax rates on middle incomes will be reduced from between 5.9 percent and 6.65 percent to between 5.5 percent and 6 percent, providing annual savings of $4.2 billion for 6 million middle-class taxpayers when fully phased in 2025. Without this legislation, these taxpayers would have faced an increased marginal tax rate of 6.85 percent after the end of tax year 2017. The cost of this tax law change grows from $236 million in FY 2018 to $1.5 billion in FY 2020, on a cash basis.

- **Other Tax Extenders/Credits:** Other significant tax actions include enhancing the Urban Youth Jobs Program Tax Credit and the extension of other tax credits.

Changes to Executive Budget

The table below summarizes all the changes to the Executive Budget General Fund Financial Plan.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN GENERAL FUND (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020
RESTORATIONS/ADDITIONS TO EXECUTIVE PLAN	**(1,181)**	**(1,929)**	**(1,804)**	**(2,168)**
New Spending Adds:	(663)	(732)	(743)	(741)
School Aid	(382)	(587)	(612)	(640)
Other Education Aid	(78)	(91)	(87)	(57)
Higher Education	(54)	(36)	(26)	(26)
Human Services/Labor	(64)	0	0	0
All Other	(85)	(18)	(18)	(18)
Restorations/Modifications:	(518)	(1,197)	(1,061)	(1,427)
CUNY Financing Parity	(153)	(505)	(516)	(529)
NYC Medicaid Growth Takeover	(180)	(476)	(589)	(705)
STAR Benefit Conversion to Tax Credit (Modified)	(98)	(96)	(96)	(95)
STAR Exemption Cap/Mandatory Income Verification	(56)	(117)	(173)	(229)
Retiree Health Insurance	(10)	(20)	(30)	(41)
Excess Medical Malpractice	0	(25)	(25)	(25)
Debt Service Cost of Capital Adds	0	(107)	(137)	(178)
Other Restorations/Modifications/Rejected Initiatives	(21)	149	505	375
TAX LAW REVISIONS TO EXECUTIVE PLAN	**(17)**	**161**	**(539)**	**(987)**
Not Accepted:	0	411	561	562
Small Business Taxes Rate Reduction	0	298	298	298
Education Tax Credit	0	0	150	150
Thruway Toll Credit	0	113	113	114
Modified/New:	(17)	(250)	(1,100)	(1,549)
Middle Class Income Tax Cut	0	(236)	(1,071)	(1,504)
Farmer Wage Credit	0	0	(15)	(18)
All Other	(17)	(14)	(14)	(27)
TAX RECEIPTS REVISIONS	**(350)**	**0**	**0**	**0**
ADDITIONAL/NEW COSTS	**(39)**	**(162)**	**(394)**	**(629)**
Public Assistance Caseload Increase	(20)	(36)	(39)	(41)
Minimum Wage Increase	(19)	(126)	(355)	(588)
AVAILABLE RESOURCES	**1,587**	**450**	**391**	**537**
Updated Local Claims	576	407	459	464
Accumulated Transfers	300	0	0	0
FY 2016 Prepayments/Advances	256	0	0	0
All Other Revisions	455	43	(68)	73
NET SAVINGS/(COSTS)[1]	**0**	**(1,480)**	**(2,346)**	**(3,247)**

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

During budget negotiations, the Executive and Legislature agreed to $1.2 billion in General Fund additions and restorations to the FY 2017 Executive Budget proposal.

The Executive and Legislature also reached agreement on the restoration of certain proposed tax law changes included in the Executive Budget, as well as modifications and new tax law changes, including a middle class personal income tax cut and a farm wage credit. In addition, receipts have been revised downward in all years to reflect updated economic forecasts.

The Enacted Budget reflects revised costs for public assistance, based on an update to DOB's caseload models. It also includes funding to support salary and related fringe benefit costs associated with minimum wage increases for Medicaid-funded and related programs.

The Enacted Budget Financial Plan identifies resources in FY 2017 that DOB estimates will be sufficient to fund the additions and restorations from budget negotiations, as well as to cover the new costs that have emerged. The resources include:

- Updated local claims for expense-based aid programs for school districts and for the STAR program ($576 million), including claims for transportation, building aid and special education. Expense-based aids are subject to quarterly updating and fluctuate unpredictably.

- Certain transfers to the General Fund and other financing sources that were initially expected in FY 2016 are now scheduled to be available in FY 2017, including an adjustment to transfers supporting capital projects spending to reflect the use of accumulated resources, such as available bond proceeds ($50 million); franchise fees for the operation of gaming facilities to offset education spending ($137 million); Federal health care reimbursements ($61 million); and youth facility reimbursements ($13 million).

- Cost reestimates permitted the State to make additional prepayments of FY 2017 expenses ($256 million).

- Other changes include revisions to projected spending across multiple programs based on operating results for FY 2016, and other management actions, as well as the use of $87 million in undesignated funds.

The table below summarizes the changes to the FY 2017 Executive Budget Financial Plan that impact State Operating Funds spending.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN STATE OPERATING FUNDS SPENDING (millions of dollars)	FY 2017	FY 2018	FY 2019	FY 2020
EXECUTIVE BUDGET PROPOSAL	**95,898**	**99,741**	**103,287**	**106,629**
RESTORATIONS/ADDITIONS TO EXECUTIVE PLAN	**1,345**	**1,834**	**1,709**	**2,074**
New Spending Adds:	663	732	743	741
School Aid	382	587	612	640
All Other	281	145	131	101
Restorations/Modifications:	682	1,102	966	1,333
CUNY Financing Parity	393	505	516	529
NYC Medicaid Growth Takeover	180	476	589	705
STAR Exemption Cap/Mandatory Income Verification	56	117	173	229
Retiree Health Insurance Savings	10	20	30	41
Excess Medical Malpractice	10	25	25	25
Debt Service Cost of Capital Adds	0	107	137	178
Other Restorations/Modifications/Rejected Initiatives	33	(148)	(504)	(374)
ADDITIONAL/NEW COSTS	**89**	**218**	**450**	**686**
State Police/Thruway Reclassification	50	56	56	57
Public Assistance Caseload Increase	20	36	39	41
Minimum Wage Increase	19	126	355	588
AVAILABLE RESOURCES	**(1,152)**	**(734)**	**(746)**	**(824)**
Updated Local Claims	(576)	(407)	(459)	(464)
Debt Service Savings	(100)	0	0	0
FY 16 Prepayment/Advances	(197)	0	0	0
Capital Staff to Capital Funds (Mental Hygiene)	(82)	(83)	(84)	(85)
Transit Receipts Revision	(18)	(17)	(21)	(25)
All Other Revisions	(179)	(227)	(182)	(250)
ENACTED BUDGET SPENDING [1]	**96,180**	**101,059**	**104,700**	**108,565**

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

In addition to the General Fund changes described above, other significant new costs and available resources that impact spending include the restatement of spending for State Police services on the New York State Thruway ($50 million); reclassification of mental hygiene personnel and fringe benefit expenses, related to the maintenance and preservation of State assets, to capital projects funds ($82 million); and revised transit aid spending based on the updated receipts forecast.

The Enacted Budget Financial Plan sets aside a portion of the General Fund balance to fund the estimated FY 2017 cost of the PEF agreement. On June 7, 2016, the agreement was ratified by the PEF membership and subsequently, a pay bill was passed by the Legislature.[11] Spending is expected to increase by approximately $146 million in FY 2017 (covering FY 2016 and FY 2017) and $74 million annually thereafter.

[11] New York State legislative bill number S08070 / A10653.

Cash Flow

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

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

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

	General Fund	Other Funds	All Funds
April	10,864	3,316	14,180
May	7,460	4,354	11,814
June	8,186	4,928	13,114
July	7,836	5,364	13,200
August	7,187	5,418	12,605
September	10,815	3,339	14,154
October	9,626	3,384	13,010
November	7,607	2,912	10,519
December	10,722	3,178	13,900
January	11,734	4,903	16,637
February	11,696	4,655	16,351
March	6,069	2,516	8,585

Monetary Settlements

From FY 2015 through FY 2017, DOB estimates that the State will have received a total of $8.7 billion in monetary settlements with financial institutions. The following table lists the settlements by firm and amount.

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

	FY 2015	FY 2016	FY 2017	Total
Monetary Settlements	**4,942**	**3,605**	**183**	**8,730**
BNP Paribas	2,243	1,348	0	3,591
Department of Financial Services (DFS)	2,243	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	1,348
Deutsche Bank	0	800	0	800
Credit Suisse AG	715	30	0	745
Commerzbank	610	82	0	692
Barclays	0	670	0	670
Credit Agricole	0	459	0	459
Bank of Tokyo Mitsubishi	315	0	0	315
Bank of America	300	0	0	300
Standard Chartered Bank	300	0	0	300
Goldman Sachs	0	50	190	240
Morgan Stanley	0	150	0	150
Bank Leumi	130	0	0	130
Ocwen Financial	100	0	0	100
Citigroup (State Share)	92	0	0	92
MetLife Parties	50	0	0	50
American International Group, Inc.	35	0	0	35
PricewaterhouseCoopers	25	0	0	25
AXA Equitable Life Insurance Company	20	0	0	20
Promontory	0	15	0	15
New Day	0	1	0	1
Other Settlements	7	0	(7)	0

Uses of Monetary Settlements

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

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

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

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Opening Settlement Balance in General Fund	**0**	**4,667**	**6,300**	**3,547**	**2,646**	**1,446**	**714**	**0**
Receipt of Settlement Payment	**4,942**	**3,605**	**183**	**0**	**0**	**0**	**0**	**8,730**
Use/Transfer of Funds	**275**	**1,972**	**2,936**	**901**	**1,200**	**732**	**49**	**8,065**
Capital Projects Fund:								
Transfer to Dedicated Infrastructure Investment Fund	0	857	1,351	1,701	1,700	732	49	6,390
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	120
Transfer to/(from) Capital Projects Fund	0	0	1,300	(800)	(500)	0	0	0
Other Purposes:								
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	0	0	0	0	627
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	5
Closing Settlement Balance in General Fund	**4,667**	**6,300**	**3,547**	**2,646**	**1,446**	**714**	**665**	**665**

The following purposes will be funded with $6.5 billion of monetary settlement collections from capital appropriations[12]:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Matters Affecting the Financial Plan

General

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

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

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

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

Budget Risks and Uncertainties

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

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

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

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

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

Federal Issues

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

Medicaid Redesign Team (MRT) Medicaid Waiver

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

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

Federal Debt Ceiling

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

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

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

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

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

Current Labor Negotiations (Current Contract Period)

The State has reached multi-year collective bargaining agreements beyond FY 2016 with two unions -- the State Police Troopers and Commissioned and Noncommissioned Officers – both represented by the Police Benevolent Association of the New York State Troopers (NYSPBA). These agreements provided members with a 2 percent general salary increase at the start of FY 2015 and FY 2016, respectively, and a 1.5 percent general salary increase that will commence at the start of FY 2017 and FY 2018, respectively. The State is in active negotiations with all other employee unions.

The State recently reached a one-year retroactive labor agreement, and a pay bill was passed by the Legislature, to provide a 2 percent annual salary increase to members of the New York State Public Employees Federation (PEF) for the period April 1, 2015 through March 31, 2016. This agreement brings PEF in line with most other State union contracts which have salary increases that concluded in FY 2016, including the Civil Service Employees Association (CSEA), United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, District Council 37 (DC-37 Housing) and the Graduate Student Employees Union (GSEU). Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose last salary increase occurred at the end of FY 2015, and with the New York State Police Investigators Association, whose last salary increase occurred at the end of FY 2011.

The State is prepared to negotiate fiscally responsible successor agreements with all of these unions. The State Operating Funds cost of providing a 1 percent general salary increase effective in FY 2017 for PEF, PBANYS, CSEA, UUP, NYSCOPBA, Council 82, DC-37 Housing and GSEU and unrepresented management/confidential (M/C) employees is approximately $131 million annually.

Pension Amortization[13]

Background

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

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

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

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

The amortization rates (i.e., the graded rates) for ERS and PFRS are determined by a formula enacted in the 2010 legislation. The respective graded rates always move toward their system's average normal rate by up to 1 percentage point per year. When the average normal rate is more than 1 percentage point greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal

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

average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percentage point greater than the average normal rate, the employer is required to pay the graded rate. Any additional contributions are first used to pay off existing amortizations. If all amortizations have been paid, any excess is deposited into a reserve account and used to offset future increases in contribution rates. The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Financial Plan no longer assumes amortization of State and OCA pension costs beyond FY 2016.

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

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

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

Outyear Projections

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

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

The FY 2017 ERS/PFRS pension payment estimate of $2.1 billion incorporates the most recent estimate prepared by OSC as of April 2016. This includes payment of prior amortizations totaling $432 million and additional interest savings by paying the non-Judiciary and Judiciary pension bills in April 2016. Total payment estimates include both the non-Judiciary and Judiciary components, and reflects payment of the entire pension bill, with no additional amortization.

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

STATE PENSION COSTS AND AMORTIZATION SAVINGS
(millions of dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
AMORTIZATION THRESHOLDS (Graded Rate)					
ERS (%)	9.5	10.5	11.5	12.5	13.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5
STATEWIDE PENSION PAYMENTS	**1,470**	**1,696**	**1,601**	**2,086**	**2,118**
Gross Pension Costs	1,633	2,140	2,192	2,744	2,438
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	393

STATE PENSION COSTS AND AMORTIZATION SAVINGS (CONTINUED)
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
AMORTIZATION THRESHOLDS (Graded Rate)					
ERS (%)	14.5	15.1	15.1	14.6	14.8
PFRS (%)	22.5	23.5	23.8	23.3	23.5
STATEWIDE PENSION PAYMENTS	**2,225**	**2,352**	**2,463**	**2,445**	**2,500**
Gross Pension Costs	2,189	1,920	2,031	2,013	2,068
(Amortization Amount) / Excess Contributions	(356)	0	0	0	0
Repayment of Amortization (incl. FY 2005 and FY 2006)	392	432	432	432	432

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS

(millions of dollars)

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,543.2	(249.6)	0.0	1,293.6
2012	2,037.5	(562.8)	32.3	1,507.0
2013	2,076.1	(778.5)	100.9	1,398.5
2014	2,633.8	(937.0)	192.1	1,888.9
2015	2,325.8	(713.1)	305.6	1,918.3
Projections:				
2016	1,972.2	(356.2)	389.9	2,005.9
2017	1,696.2	0.0	432.1	2,128.3
2018	1,802.2	0.0	432.1	2,234.3
2019	1,780.4	0.0	432.1	2,212.5
2020	1,830.5	0.0	432.1	2,262.6
2021	1,911.4	0.0	432.2	2,343.6
2022	1,977.9	0.0	399.8	2,377.7
2023	1,993.5	0.0	331.3	2,324.8
2024	2,009.1	0.0	240.1	2,249.2
2025	2,024.4	0.0	126.5	2,150.9
2026	2,039.6	0.0	42.2	2,081.8
2027	2,054.3	0.0	0.0	2,054.3
2028	2,068.9	0.0	0.0	2,068.9
2029	2,061.5	0.0	0.0	2,061.5
2030	2,052.1	0.0	0.0	2,052.1
2031	2,040.4	0.0	0.0	2,040.4

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

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

Other Post-Employment Benefits (OPEB)

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

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2015, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2015, the unfunded actuarial accrued liability for FY 2015 is $77.4 billion ($63.426 billion for the State and $13.933 billion for SUNY), an increase of $9.2 billion from FY 2014 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2015 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State, and April 1, 2012 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. Driving a significant portion of the annual growth in the State's unfunded actuarial accrued liability is the adoption of new generational mortality projection tables developed by the Society of Actuaries, reflecting an improvement in life expectancy in future years, and resulting in increases to accrued liabilities and the present value of projected benefits. Also driving a portion of the annual growth are the expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2015 totaled $3 billion ($2.3 billion for the State and $0.7 billion for SUNY), an increase of $20 million from FY 2014 ($17 million for the State and $3 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $1.5 billion ($1 billion for the State and $0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2015. This difference between the State's PAYGO costs, and the actuarially-determined ARC under GASB Statement 45, reduced the State's net asset condition at the end of FY 2015 by $1.5 billion.

GASB does not require the additional costs to be funded on the State's budgetary (cash) basis, and no additional funding is assumed for this purpose in the current Financial Plan. The State continues to fund these costs, along with all other employee health care expenses, on a PAYGO basis.
There is no provision in the Financial Plan to fund the ARC for OPEB. If the State began making a contribution, the additional cost above the PAYGO amounts would be lowered. The State's Health

Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), the Department of Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its current PAYGO funding practice.

The State is currently examining GASB Statement 75, which amends GASB Statement 45 requirements. The GASB Statement 75 will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the funded status of the OPEB liabilities to be reported by the State. The State does not currently expect to implement the GASB Statement 75 changes until the State's FY 2019 Basic Financial Statements.

Litigation

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

Storm Recovery

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

Climate Change Adaptation

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

Financial Condition of New York State Localities

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

Bond Market

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

Debt Reform Act Limit

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

DOB projects that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from $4.9 billion in FY 2016 to $105 million in FY 2020. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State's calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)									TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity		Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2016	1,142,490	4.00%	45,700	40,814	4,885	3.57%	0.43%		9,415	50,229
FY 2017	1,193,200	4.00%	47,728	42,981	4,747	3.60%	0.40%		8,111	51,092
FY 2018	1,251,360	4.00%	50,054	48,166	1,889	3.85%	0.15%		6,813	54,979
FY 2019	1,315,830	4.00%	52,633	51,988	645	3.95%	0.05%		5,771	57,759
FY 2020	1,379,570	4.00%	55,183	55,078	105	3.99%	0.01%		4,895	59,973
FY 2021	1,444,290	4.00%	57,772	57,488	284	3.98%	0.02%		3,421	60,909

DEBT SERVICE SUBJECT TO CAP (millions of dollars)									TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity		Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2016	153,265	5.00%	7,663	4,087	3,576	2.67%	2.33%		1,492	5,579
FY 2017	152,346	5.00%	7,617	4,355	3,262	2.86%	2.14%		823	5,178
FY 2018	159,142	5.00%	7,957	4,766	3,192	2.99%	2.01%		1,477	6,242
FY 2019	160,110	5.00%	8,006	5,365	2,640	3.35%	1.65%		1,392	6,757
FY 2020	163,777	5.00%	8,189	5,856	2,333	3.58%	1.42%		1,362	7,218
FY 2021	170,279	5.00%	8,514	6,247	2,267	3.67%	1.33%		1,198	7,444

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Enacted Budget. The summary below highlights each factor and its cumulative impact on the remaining capacity under the cap since the FY 2017 Executive Budget proposal. These factors include a change (reduction) to the personal income forecast, additional capital commitments approved in the Enacted Budget, revised estimates for bond-financed capital spending, debt issuance adjustments that leverage the State's strong liquidity position, and economic refundings of SUNY Dormitory Facilities debt. In the Enacted Budget, capital spending estimates have consistently been revised downward, as spending estimates are reconciled to actual results. Over the past four years, actual results have been $2.8 billion below the level projected in the Executive Budget for the most recently completed fiscal year (FY 2013 - $685 million, FY 2014 - $543 million, FY 2015 - $587 million, and FY 2016 - $957 million). In managing the State's debt issuances, the Enacted Budget assumes that cash on hand from settlement moneys will be used to defer $1.3 billion of bond issuances in FY 2017, which will instead be issued in FY 2018 ($800 million) and in FY 2019 ($500 million). Also, debt issuances were further reduced by $500 million in FY 2017 for timing-related reasons, reflecting the lag between capital spending and reimbursements from bond sales. With respect to the SUNY Dormitory Facilities refundings, it is expected that bonds under the existing program will be refunded into the new SUNY Dormitory Facilities Revenue Credit (not subject to the statutory debt cap) as they reach their call dates.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY (millions of dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
30-Day Executive Budget Financial Plan	**4,403**	**2,892**	**1,522**	**630**	**189**	**584**
Personal Income Forecast Adjustment	8	(108)	(206)	(190)	(180)	(170)
New Base for Enacted Budget Financial Plan	**4,411**	**2,784**	**1,316**	**440**	**9**	**414**
Enacted Capital Adds	0	(897)	(1,180)	(1,313)	(2,068)	(2,908)
Enacted Capital Reestimates	474	1,042	752	1,001	1,553	1,983
Management of Debt Issuances	0	1,818	974	454	448	441
SUNY Dorms Anticipated Refundings	0	0	27	63	163	353
Enacted Budget Financial Plan	**4,885**	**4,747**	**1,889**	**645**	**105**	**284**

Secured Hospital Program

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

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

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

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

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

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

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

If the NMS Closing does not occur on or before June 30, 2016, NYU Hospitals Center has the right to terminate its obligations under the purchase and sale agreement upon 30 days prior notice to Purchaser and Holdings. There can be no assurance that NYU Hospitals Center will not exercise its right to terminate after July 1, 2016. If NYU Hospitals Center terminates its obligations under the purchase and sale agreement, it has the contractual right to close its interim emergency department services immediately, but that right would be subject to obtaining regulatory approval for the closure. Also, if NYU Hospitals Center terminates its obligations under the purchase and sale agreement, the Purchaser has the ability under the purchase and sale agreement to continue with the final closing if, among other things, the Purchaser can identify a replacement provider with a confirming letter of interest to provide certain of the healthcare services expected to be provided by NYU Hospitals Center.

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

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

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

2016 Legislative Session

The State's regular legislative session for 2016 ended on June 18, 2016. During the session, several bills with a fiscal impact were approved by the Legislature and signed by the Governor, including a bill that provides certain military veterans with enhanced pension benefits. In addition, a number of bills have been passed by the Legislature and are expected to be sent to the Governor for his review. DOB is evaluating the fiscal impact of the legislative session and expects to reflect, in the First Quarterly Update to the Financial Plan, the estimated costs associated with bills signed by the Governor.

State Financial Plan Projections
Fiscal Years 2017 Through 2020

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State Financial Plan Projections Fiscal Years 2017 Through 2020

Introduction

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

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

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

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

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

State Financial Plan Projections Fiscal Years 2017 Through 2020

Summary

The FY 2017 Enacted Budget Financial Plan reflects a 2 percent annual growth in State Operating Funds, consistent with the expectation of adherence with a 2 percent spending benchmark.

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

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

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes (After Debt Service)	62,581	65,117	68,201	68,307	71,029
Miscellaneous Receipts/Federal Grants	5,842	2,813	2,486	2,455	2,318
Other Transfers	1,253	1,046	750	750	734
Total Receipts	**69,676**	**68,976**	**71,437**	**71,512**	**74,081**
DISBURSEMENTS					
Local Assistance Grants	43,314	45,957	49,086	51,650	54,496
School Aid	20,133	21,101	22,679	23,931	25,241
Medicaid/EP	12,136	12,683	13,566	14,470	15,448
All Other	11,045	12,173	12,841	13,249	13,807
State Operations	7,955	8,299	8,655	8,499	8,640
Personal Service	6,011	6,054	6,097	6,135	6,189
Non-Personal Service	1,944	2,245	2,558	2,364	2,451
General State Charges	5,397	5,425	5,824	6,033	6,417
Transfers to Other Funds	11,376	12,160	11,375	12,005	12,156
Debt Service	1,196	706	1,260	1,182	1,076
Capital Projects	2,721	4,461	3,019	3,399	3,311
State Share of Mental Hygiene Medicaid	2,036	1,437	1,325	1,301	1,236
SUNY Operations	998	996	1,001	997	997
All Other	4,425	4,560	4,770	5,126	5,536
Total Disbursements	**68,042**	**71,841**	**74,940**	**78,187**	**81,709**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**2,956**	**4,634**	**6,498**
Use (Reservation) of Fund Balance:	**(1,634)**	**2,865**	**902**	**1,200**	**731**
Community Projects Fund	11	10	0	0	0
Labor Agreements Prior to FY 2017	35	15	0	0	0
Undesignated Fund Balance	(47)	87	0	0	0
Monetary Settlements[2]	(1,633)	2,753	902	1,200	731
Programmed	(1,088)	2,873	902	1,200	731
Unbudgeted	(545)	(120)	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**355**	**(841)**	**(399)**

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

[2] FY 2016 and FY 2017 reflect transfers of monetary settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund ($857 million in FY 2016 and $1.35 billion in FY 2017); the Environmental Protection Fund ($120 million in FY 2017); and the mental hygiene account for Federal disallowance repayment ($850 million in FY 2016).

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes	73,279	75,832	79,208	79,989	83,142
Miscellaneous Receipts/Federal Grants	23,328	18,807	18,606	18,799	18,502
Total Receipts	**96,607**	**94,639**	**97,814**	**98,788**	**101,644**
DISBURSEMENTS					
Local Assistance Grants	62,653	64,889	67,885	70,742	73,563
School Aid (School Year Basis)	23,290	24,797	25,906	27,219	28,599
DOH Medicaid	17,453	18,184	18,982	19,882	20,741
Transportation	4,745	4,952	5,040	5,097	5,192
STAR	3,335	3,228	2,977	2,921	2,869
Higher Education	2,955	3,031	3,097	3,158	3,195
Social Services	2,949	2,924	2,982	3,015	3,047
Mental Hygiene	2,646	2,571	3,132	3,494	3,738
All Other[1]	5,280	5,202	5,769	5,956	6,182
State Operations	18,583	18,534	18,893	18,885	19,034
Personal Service	12,981	12,841	12,900	13,020	13,113
Non-Personal Service	5,602	5,693	5,993	5,865	5,921
General State Charges	7,452	7,551	8,022	8,302	8,736
Pension Contribution	2,225	2,352	2,463	2,445	2,500
Health Insurance (Active Employees)	2,178	2,343	2,484	2,651	2,831
Health Insurance (Retired Employees)	1,285	1,376	1,459	1,557	1,663
All Other	1,763	1,479	1,616	1,648	1,743
Debt Service	5,598	5,203	6,257	6,771	7,232
Capital Projects	2	3	2	0	0
Total Disbursements	**94,288**	**96,180**	**101,059**	**104,700**	**108,565**
Net Other Financing Sources/(Uses)	432	(1,657)	140	(327)	(134)
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**2,956**	**4,634**	**6,498**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(2,751)	3,198	504	764	158
General Fund	(1,634)	2,865	902	1,200	731
Special Revenue Funds	(1,075)	422	(290)	(344)	(413)
Debt Service Funds	(42)	(89)	(108)	(92)	(160)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**355**	**(841)**	**(399)**

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

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

Receipts

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

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

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

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). For a detailed description of revenue sources, see "Exhibit D - Principal State Taxes and Fees" herein.

Overview of the Receipts Forecast

All Funds receipts in FY 2017 are projected to total $152.3 billion, 0.6 percent below FY 2016 results.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	47,055	49,464	5.1%	51,755	4.6%	51,734	0.0%	53,743	3.9%
Consumption/Use Taxes	15,725	16,134	2.6%	16,866	4.5%	17,453	3.5%	18,005	3.2%
Business Taxes	7,884	7,994	1.4%	8,323	4.1%	8,448	1.5%	8,863	4.9%
Other Taxes	2,703	2,183	-19.2%	2,174	-0.4%	2,191	0.8%	2,292	4.6%
Payroll Tax	1,306	1,353	3.6%	1,416	4.7%	1,485	4.9%	1,562	5.2%
Total State Taxes	**74,673**	**77,128**	**3.3%**	**80,534**	**4.4%**	**81,311**	**1.0%**	**84,465**	**3.9%**
Miscellaneous Receipts	27,268	23,567	-13.6%	25,875	9.8%	25,308	-2.2%	24,802	-2.0%
Federal Receipts	51,324	51,651	0.6%	52,733	2.1%	53,490	1.4%	54,512	1.9%
Total All Fund Receipts	**153,265**	**152,346**	**-0.6%**	**159,142**	**4.5%**	**160,109**	**0.6%**	**163,779**	**2.3%**

State tax receipts are expected to increase 3.3 percent in FY 2017. The increase in PIT receipts is primarily due to withholding growth and a decline in refunds, while the decline in other taxes is the result of one-time factors affecting FY 2016 and the continued phase-in of the estate tax cut. The miscellaneous receipts decline in FY 2017 is primarily due to the substantial decline in monetary settlement payments from financial institutions.

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

After controlling for the impact of tax law changes, base tax revenue increased 5.4 percent in FY 2016, and is projected to increase by 3.5 percent in FY 2017 and 5.3 percent in FY 2018.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**47,055**	**49,464**	**5.1%**	**51,755**	**4.6%**	**51,734**	**0.0%**	**53,743**	**3.9%**
Gross Collections	56,600	58,540	3.4%	61,895	5.7%	62,741	1.4%	66,091	5.3%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
GENERAL FUND[1]	**31,957**	**33,870**	**6.0%**	**35,839**	**5.8%**	**35,879**	**0.1%**	**37,438**	**4.3%**
Gross Collections	56,600	58,540	3.4%	61,895	5.7%	62,741	1.4%	66,091	5.3%
Refunds (Incl. State/City Offset)	(9,545)	(9,076)	4.9%	(10,140)	-11.7%	(11,007)	-8.6%	(12,348)	-12.2%
STAR	(3,335)	(3,228)	3.2%	(2,977)	7.8%	(2,921)	1.9%	(2,869)	1.8%
RBTF	(11,763)	(12,366)	-5.1%	(12,939)	-4.6%	(12,934)	0.0%	(13,436)	-3.9%

[1]Excludes Transfers.

All Funds income tax receipts for FY 2017 are projected to be $49.5 billion, an increase of $2.4 billion (5.1 percent) from FY 2016 results. This increase includes growth in withholding, estimated payments attributable to the 2016 tax year, final returns, and delinquency collections, coupled with a moderate decline in total refunds related to the decrease of the administrative refund cap in January to March 2017. Growth in these categories is partially offset by a decline in extension payments attributable to the 2015 tax year.

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

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

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts					
Withholding	36,549	38,356	39,802	41,056	43,158
Estimated Payments	16,111	16,106	17,805	17,194	18,244
Current Year	11,561	12,045	13,159	12,102	13,152
Prior Year[1]	4,550	4,061	4,646	5,092	5,092
Final Returns	2,630	2,720	2,891	3,034	3,168
Current Year	269	280	292	292	292
Prior Year[1]	2,361	2,440	2,599	2,742	2,876
Delinquent	1,310	1,358	1,397	1,457	1,521
Gross Receipts	56,600	58,540	61,895	62,741	66,091
Refunds					
Prior Year[1]	5,130	5,037	6,366	6,608	7,556
Previous Years	618	718	689	714	744
Current Year[1]	2,551	1,750	1,750	1,750	1,750
Advanced Credit Payment	571	883	647	1,247	1,709
State/City Offset[1]	675	688	688	688	589
Total Refunds	9,545	9,076	10,140	11,007	12,348
Net Receipts	**47,055**	**49,464**	**51,755**	**51,734**	**53,743**

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

Withholding in FY 2017 is projected to be $1.8 billion (4.9 percent) higher than FY 2016 results, due mainly to moderate estimated wage growth. Extension payments related to tax year 2015 are estimated to decrease by $489 million (10.7 percent), primarily due to payment-timing differences relative to tax year 2014 payments (taxpayers paid a higher percentage of their tax year 2015 liability through estimated payments and a lower percentage through extensions). Estimated payments for tax year 2016 are projected to be $484 million (4.2 percent) higher. Final return payments and delinquencies are projected to be $90 million (3.4 percent) higher and $48 million (3.7 percent) higher than FY 2016 results, respectively.

The projected decrease in total refunds of $469 million (4.9 percent) includes a $93 million decline (1.8 percent) in prior (tax year 2015) refunds, a $100 million (16.2 percent) increase in previous (tax year 2014 and earlier) refunds, an $801 million (31.4 percent) decline in current (tax year 2016) refunds (due to a decrease in the January to March 2017 administrative refund cap), a $312 million (54.6 percent) increase in advanced credit payments related to tax year 2016, and a $13 million (1.9

percent) increase in the state-city offset. The advanced credit payment forecast includes $98 million in payments attributable to the conversion of the STAR homeowners' benefit to a personal income tax credit.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2017 of $33.9 billion are estimated to increase by $1.9 billion (6 percent) from FY 2016 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be $12.4 billion and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts for FY 2018 of $51.8 billion are projected to increase by $2.3 billion (4.6 percent) from FY 2017 estimates. Gross receipts are projected to increase 5.7 percent, reflecting withholding that is projected to grow by $1.4 billion (3.8 percent) and estimated payments related to tax year 2017 that are projected to grow by $1.1 billion (9.2 percent). The relatively weak growth in withholding is attributable to the combination of the newly-enacted middle income tax cuts and the scheduled decline of the current top marginal tax rate from 8.82 percent to 6.85 percent, both effective for tax year 2018. Payments from extensions for tax year 2016 are projected to increase by $585 million (14.4 percent) and final returns are expected to increase $171 million (6.3 percent). Delinquencies are projected to increase $39 million (2.9 percent) from the prior year. Total refunds are projected to increase by $1.1 billion (11.7 percent) from the prior year. The aforementioned figures include a $236 million reduction in withholding attributable to the personal income tax rate reductions, and a $281 million increase in total refunds attributable to the STAR program changes included with the FY 2017 Enacted Budget legislation.

General Fund PIT receipts for FY 2018 of $35.8 billion are projected to increase by $2 billion (5.8 percent). RBTF deposits are projected to be $12.9 billion, and the STAR transfer is projected to be $3 billion.

All Funds PIT receipts in FY 2019 are projected to decrease by $21 million to $51.7 billion, while General Fund PIT receipts are projected to total $35.9 billion. Projected near-flat growth in FY 2019 receipts is due to the aforementioned expiration of the current top income tax rate at the end of tax year 2017, combined with continued phase-in of the just enacted middle income tax cuts. Legislation included in the FY 2017 Enacted Budget is projected to reduce FY 2019 collections by $1.7 billion.

All Funds income tax receipts are projected to increase by $2 billion (3.9 percent) in FY 2020 to reach $53.7 billion, while General Fund receipts are projected to total $37.4 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,725**	**16,134**	**2.6%**	**16,866**	**4.5%**	**17,453**	**3.5%**	**18,005**	**3.2%**
Sales Tax	13,359	13,870	3.8%	14,573	5.1%	15,192	4.2%	15,780	3.9%
Cigarette and Tobacco Taxes	1,251	1,226	-2.0%	1,192	-2.8%	1,151	-3.4%	1,105	-4.0%
Motor Fuel Tax	503	494	-1.8%	491	-0.6%	486	-1.0%	483	-0.6%
Highway Use Tax	158	84	-46.8%	138	64.3%	140	1.4%	141	0.7%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%
Medical Marihuana Excise Tax	0	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge	73	70	-4.1%	70	0.0%	70	0.0%	70	0.0%
Auto Rental Tax	126	128	1.6%	135	5.5%	142	5.2%	149	4.9%
GENERAL FUND[1]	**6,819**	**7,087**	**3.9%**	**7,424**	**4.8%**	**7,712**	**3.9%**	**7,983**	**3.5%**
Sales Tax	6,242	6,481	3.8%	6,816	5.2%	7,109	4.3%	7,386	3.9%
Cigarette and Tobacco Taxes	322	348	8.1%	345	-0.9%	335	-2.9%	324	-3.3%
Alcoholic Beverage Taxes	255	258	1.2%	263	1.9%	268	1.9%	273	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2017 are estimated to be $16.1 billion, an increase of $409 million (2.6 percent) from FY 2016 results. Sales tax receipts are estimated to increase $511 million (3.8 percent) from the prior year, resulting from 3.7 percent base (i.e., absent law changes) growth. This base growth stems from estimated moderate disposable income, employment, and consumption growth. Cash results are reduced by agreements between certain mobile telecommunications providers and the State to allow such providers to remit less sales tax for a period in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. Cigarette and tobacco tax collections are estimated to decline $25 million (2 percent), primarily reflecting trend declines in taxable cigarette consumption, partially offset by a decrease in cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Highway use tax collections are expected to decrease by $74 million (46.8 percent) due to refunds resulting from the *Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance* court decision as well as a reduction in continuing registration fees resulting from the same litigation. Motor fuel tax collections are expected to decrease $9 million (1.8 percent), reflecting an expected increase in refunds combined with a slight decline in taxable motor fuel consumption, partially offset by slight growth in diesel consumption. Taxicab receipts are estimated to decline by $3 million (4.1 percent) as the result of consumers choosing alternative transportation services not subject to the surcharge.

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

General Fund consumption/use tax receipts for FY 2017 are estimated to total nearly $7.1 billion, an increase of $268 million (3.9 percent) from FY 2016 results. This increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts for FY 2018 are projected to be $16.9 billion, an increase of $732 million (4.5 percent) from the current year. The projected $703 million (5.1 percent) increase in sales tax receipts reflects sales tax base growth of 4.1 percent, due to projected disposable income, employment, and consumption growth.

General Fund consumption/use tax receipts are projected to total $7.4 billion in FY 2018, a $337 million (4.8 percent) increase from the current year. The projected increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts are projected to increase to nearly $17.5 billion (3.5 percent growth) in FY 2019 and to $18 billion (3.2 percent growth) in FY 2020, largely representing base growth in sales tax receipts, offset slightly by trend declines in cigarette tax collections.

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

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**7,884**	**7,994**	**1.4%**	**8,323**	**4.1%**	**8,448**	**1.5%**	**8,863**	**4.9%**
Corporate Franchise Tax	4,527	4,483	-1.0%	4,780	6.6%	4,822	0.9%	5,222	8.3%
Corporation and Utilities Tax	774	738	-4.7%	732	-0.8%	744	1.6%	754	1.3%
Insurance Tax	1,580	1,477	-6.5%	1,572	6.4%	1,701	8.2%	1,784	4.9%
Bank Tax	(121)	203	267.8%	190	-6.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,124	1,093	-2.8%	1,049	-4.0%	1,038	-1.0%	1,032	-0.6%
GENERAL FUND	**5,647**	**5,750**	**1.8%**	**6,078**	**5.7%**	**6,155**	**1.3%**	**6,538**	**6.2%**
Corporate Franchise Tax	3,763	3,688	-2.0%	3,950	7.1%	3,949	0.0%	4,312	9.2%
Corporation and Utilities Tax	594	568	-4.4%	559	-1.6%	563	0.7%	569	1.1%
Insurance Tax	1,419	1,321	-6.9%	1,407	6.5%	1,521	8.1%	1,597	5.0%
Bank Tax	(129)	173	234.1%	162	-6.4%	122	-24.7%	60	-50.8%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

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

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

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

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

Bank tax receipts are estimated to increase by $324 million in FY 2017. The increase stems from an estimated reduction in prior period adjustments. Audit receipts are estimated to increase $17 million from FY 2016 results.

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

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

All Funds business tax receipts for FY 2018 of $8.3 billion are projected to increase by $329 million (4.1 percent) from FY 2017. The increase in corporation franchise tax receipts of $297 million (6.6 percent) reflects full implementation of the majority of the corporate tax reform changes with liability growth reflecting projected growth in corporate profits. The corporation and utilities tax receipts decline of $6 million (0.8 percent) reflects lower telecommunications receipts partially offset by a modest increase in utility tax revenue. Insurance tax receipts are projected to increase $95 million (6.4 percent). Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contributes to year-over-year growth. Bank tax receipts are projected to decrease by $13 million (6.4 percent), due to lower projected audit receipts. PBT receipts are projected to decline $44 million (4 percent) in FY 2018, primarily due to the projected 5 percent decrease in the PBT rate index effective January 2017 noted above and projected modest declines in taxable motor fuel consumption, partially offset by growth in diesel fuel consumption.

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

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

FY 2019, and increase to $8.9 billion (4.9 percent growth) in FY 2020. General Fund business tax receipts are expected to increase to $6.2 billion (1.3 percent growth) in FY 2019 and $6.5 billion (6.2 percent growth) in FY 2020.

Other Taxes

OTHER TAXES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,703**	**2,183**	**-19.2%**	**2,174**	**-0.4%**	**2,191**	**0.8%**	**2,292**	**4.6%**
Estate Tax	1,521	1,024	-32.7%	949	-7.3%	912	-3.9%	963	5.6%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Estate Transfer Tax	1,163	1,138	-2.1%	1,204	5.8%	1,258	4.5%	1,308	4.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,540**	**1,045**	**-32.1%**	**970**	**-7.2%**	**933**	**-3.8%**	**984**	**5.5%**
Estate Tax	1,521	1,024	-32.7%	949	-7.3%	912	-3.9%	963	5.6%
Gift Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Real Property Gains Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Pari-Mutuel Taxes	17	18	5.9%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	2	3	50.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2017 are estimated to be slightly below $2.2 billion, a $520 million (19.2 percent) decrease from FY 2016 results. This largely reflects an estimated decline in estate tax receipts of $497 million (32.7 percent) due to the continued phase-in of the increased filing threshold, and an expected return to historical levels of super large payments (i.e., payments over $25 million). Additionally, real estate transfer tax receipts are projected to decrease $25 million (2.1 percent) due to the combination of a small estimated decrease in the volume of transactions in New York City and a large estimated decrease in housing starts statewide, partially offset by year-over-year price growth. The transaction decline is partially due to a building permit shift from FY 2017 into FY 2016 caused by the uncertainty that surrounded the extension of New York City property tax abatement legislation. The remaining taxes in this category are estimated to generate an additional $2 million (10.5 percent) largely due to legislation that legalized mixed martial arts.

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

All Funds other tax receipts for FY 2018 are projected to slightly decline due to a projected decrease in estate tax receipts resulting from the continued phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Additionally, real estate transfer tax receipts are projected to increase in FY 2018 reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2018 are projected to decrease by $75 million (7.2 percent), due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 and FY 2020 reflect tax cuts, projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to increase slightly (0.8 percent) in FY 2019, then resume trend growth (4.6 percent) in FY 2020. General Fund other tax receipt estimates for FY 2019 and FY 2020 are projected to decrease by 3.8 percent, then increase by 5.5 percent, respectively, due to the projected changes in estate tax receipts noted in the table above.

Miscellaneous Receipts and Federal Grants

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

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**27,268**	**23,567**	**-13.6%**	**25,875**	**9.8%**	**25,308**	**-2.2%**	**24,802**	**-2.0%**
General Fund	5,842	2,813	-51.8%	2,486	-11.6%	2,455	-1.2%	2,318	-5.6%
Special Revenue Funds	17,117	15,681	-8.4%	15,797	0.7%	16,025	1.4%	15,867	-1.0%
Capital Projects Funds	3,822	4,618	20.8%	7,127	54.3%	6,367	-10.7%	6,158	-3.3%
Debt Service Funds	487	455	-6.6%	465	2.2%	461	-0.9%	459	-0.4%

All Funds miscellaneous receipts are projected to total $23.6 billion in FY 2017, a decrease of 13.6 percent from FY 2016 results. This decrease is primarily due to the impact of extraordinary monetary settlements received in the General Fund during FY 2016, as described earlier in this AIS. In addition to the impact of monetary settlements, declining FY 2017 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

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

FEDERAL GRANTS
(millions of dollars)

	FY 2016 Results	FY 2017 Current	Change	FY 2018 Proposed	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**51,324**	**51,651**	**0.6%**	**52,733**	**2.1%**	**53,490**	**1.4%**	**54,512**	**1.9%**
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	49,105	49,416	0.6%	50,567	2.3%	51,326	1.5%	52,292	1.9%
Capital Projects Funds	2,146	2,162	0.7%	2,093	-3.2%	2,091	-0.1%	2,147	2.7%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are expected to grow to $54.5 billion by FY 2020, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

Disbursements

Total disbursements in FY 2017 are estimated at $71.8 billion in the State's General Fund (including transfers) and $96.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at $64.9 billion in FY 2017, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of State Operating Funds local assistance spending.

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

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

			Forecast		
	FY 2016 Results[1]	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
MEDICAID					
Individuals Covered	6,140,813	6,320,438	6,408,439	6,451,522	6,474,592
- Essential Plan	441,223	472,815	476,091	479,390	482,711
- Child Health Plus (Caseload)	275,854	281,516	283,205	284,904	286,614
State Takeover of County/NYC Costs	$2,031	$2,360	$2,680	$2,989	$3,287
- Family Health Plus	$0	$0	$0	$0	$0
- Medicaid	$2,031	$2,360	$2,680	$2,989	$3,287
EDUCATION					
SY School Aid (Funding)	$23,290	$24,797	$25,906	$27,219	$28,599
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	573,555	573,555	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	301,554	301,869	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	243,642	238,388	235,591	232,955	230,355
Safety Net Program (Families)	117,682	115,259	113,865	112,561	111,278
Safety Net Program (Singles)	203,114	203,512	203,920	206,266	208,355
Total Mental Hygiene Community Beds	98,323	101,389	104,362	107,382	107,467
- OMH Community Beds	42,151	44,323	46,716	49,166	49,166
- OPWDD Community Beds	42,314	42,938	43,437	43,971	43,971
- OASAS Community Beds	13,858	14,128	14,209	14,245	14,330
PRISON POPULATION (CORRECTIONS)	52,800	52,000	N/A	N/A	N/A

[1] Reflects preliminary unaudited results.

Education

School Aid

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

School Year (July 1 -June 30)

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

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

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

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

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

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

State Fiscal Year

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

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

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

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**23,302**	**24,422**	**4.8%**	**25,898**	**6.0%**	**27,196**	**5.0%**	**28,555**	**5.0%**
General Fund Local Assistance	20,133	21,101	4.8%	22,679	7.5%	23,931	5.5%	25,241	5.5%
Core Lottery Aid	2,219	2,360	6.4%	2,243	-5.0%	2,227	-0.7%	2,224	-0.1%
VLT Lottery Aid	950	961	1.2%	886	-7.8%	867	-2.1%	893	3.0%
Commercial Gaming - VLT Offset	0	0	0.0%	71	0.0%	89	25.4%	63	-29.2%
Commercial Gaming	0	0	0.0%	19	0.0%	82	331.6%	134	63.4%

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

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

Other Education Funding

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

OTHER EDUCATION
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,085**	**2,330**	**11.8%**	**2,390**	**2.6%**	**2,520**	**5.4%**	**2,626**	**4.2%**
Special Education	1,317	1,437	9.1%	1,540	7.2%	1,657	7.6%	1,784	7.7%
All Other Education	768	893	16.3%	850	-4.8%	863	1.5%	842	-2.4%

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

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

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

School Tax Relief Program

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

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

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The projected spending decline over the course of the Financial Plan is the result of changes to the STAR program included in the Enacted Budget and which will phase in over time. STAR will gradually shift from a spending program into a refundable pre-paid PIT credit, with this change applying to first-time homebuyers and to homeowners who move. Further reductions in STAR spending will be achieved by the conversion of the New York City PIT STAR credit into a New York State PIT credit.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

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

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

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

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

Higher Education

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

HIGHER EDUCATION
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,955**	**3,031**	**2.6%**	**3,097**	**2.2%**	**3,158**	**2.0%**	**3,195**	**1.2%**
City University	**1,429**	**1,454**	**1.7%**	**1,486**	**2.2%**	**1,527**	**2.8%**	**1,553**	**1.7%**
Senior Colleges	1,198	1,206	0.7%	1,243	3.1%	1,285	3.4%	1,311	2.0%
Community College	231	248	7.4%	243	-2.0%	242	-0.4%	242	0.0%
Higher Education Services	**1,025**	**1,068**	**4.2%**	**1,103**	**3.3%**	**1,123**	**1.8%**	**1,135**	**1.1%**
Tuition Assistance Program	966	978	1.2%	991	1.3%	994	0.3%	994	0.0%
Scholarships/Awards	47	78	66.0%	100	28.2%	117	17.0%	129	10.3%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**501**	**509**	**1.6%**	**508**	**-0.2%**	**508**	**0.0%**	**507**	**-0.2%**
Community College	496	504	1.6%	503	-0.2%	503	0.0%	502	-0.2%
Other/Cornell	5	5	0.0%	5	0.0%	5	0.0%	5	0.0%

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

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

In total, State Operating Funds local assistance spending is projected to increase by 2.6 percent from FY 2016 to FY 2017. This increase is distributed across SUNY, CUNY, and HESC programs and operations. Additional outyear growth is projected to be driven by spending in student financial assistance programs, largely the result of increasing enrollment in recent scholarship initiatives such as Science, Technology, Engineering and Math (STEM) and the Get On Your Feet Loan Forgiveness Program. CUNY Senior College spending is also projected to grow in the outyears due to employee benefits costs.

Health Care

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

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

Medicaid

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

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

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

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

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1] (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Department of Health Medicaid	17,707	18,147	18,964	19,855	20,711
Local Assistance	17,434	17,850	18,637	19,527	20,376
State Operations	273	297	327	328	335
Other State Agency Medicaid Spending	4,883	4,537	4,952	5,199	5,394
Mental Hygiene	4,739	4,397	4,810	5,057	5,250
Foster Care	89	90	92	92	94
Education	55	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,590**	**22,684**	**23,916**	**25,054**	**26,105**
Annual $ Change		94	1,232	1,138	1,051
Annual % Change		0.4%	5.4%	4.8%	4.2%
Essential Plan[2]	**32**	**377**	**385**	**395**	**406**

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

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

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

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

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS	**17,739**	**18,524**	**4.4%**	**19,349**	**4.5%**	**20,250**	**4.7%**	**21,117**	**4.3%**
General Fund - DOH Medicaid Local	12,117	12,349	1.9%	13,221	7.1%	14,115	6.8%	15,083	6.9%
DOH Medicaid	11,250	11,257	0.1%	12,373	9.9%	13,311	7.6%	14,281	7.3%
Mental Hygiene - Global Cap Adjustment[3]	867	1,092	26.0%	848	-22.3%	804	-5.2%	802	-0.2%
General Fund - DOH Medicaid State Ops[4]	273	297	8.8%	327	10.1%	328	0.3%	335	2.1%
General Fund - Essential Plan	32	377	1078.1%	385	2.1%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	43	230.8%	40	-7.0%	40	0.0%	41	2.5%
Other State Funds - DOH Medicaid Local	5,317	5,501	3.5%	5,416	-1.5%	5,412	-0.1%	5,293	-2.2%
HCRA Financing	3,523	3,737	6.1%	3,712	-0.7%	3,708	-0.1%	3,589	-3.2%
Indigent Care Support	961	952	-0.9%	892	-6.3%	892	0.0%	892	0.0%
Provider Assessment Revenue	833	812	-2.5%	812	0.0%	812	0.0%	812	0.0%

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

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

The FY 2017 Enacted Budget Financial Plan also reflects a continuation of the MRT initiative, which focuses on implementing various investments and efficiencies within the statewide Medicaid program in order to achieve improved health care service delivery and cost efficiency within the statutory spending limits of the Medicaid Global Cap. DOH proposes a number of initiatives to reduce spending within the Global Cap, including certain efficiencies in managed care program premiums; realigning the capital and operating components of the Supportive Housing program; and a new penalty for extreme generic drug pricing, in order to discourage such practices and limit cost increases.

The MRT savings initiatives are expected to offset a number of increased cost pressures and program investments within the Global Cap, including increases in Medicare Part D “clawback” expenses as a result of rising drug prices; Medicare Part B increases due to Federal requirements for states to hold certain beneficiaries harmless for premium increases when Cost-of-Living Adjustments (COLAs) are not included in Social Security plans; and additional funding for fiscally distressed hospitals. Savings of $44 million are expected as a result of transferring certain supportive housing costs to the Capital Projects Fund in each of FYs 2017 and 2018. These savings are realized through the Mental Hygiene Global Cap Adjustment, which finances certain OPWDD-related Medicaid costs available under the Global Cap. Additional means to offset rising costs within the Medicaid Global Cap are available through the Medicaid integrity and efficiency initiative which was authorized in the FY 2017 Enacted Budget. Upon election by a local service district to participate in this initiative, DOH and such local service district may formulate a plan to achieve new audit recoveries, efficiencies and other cost avoidance measures to provide Financial Plan savings.

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

Essential Plan (EP)

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

ESSENTIAL PLAN (millions of dollars)									
	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL ALL FUNDS SPENDING	1,539	2,461	59.9%	2,535	3.0%	2,610	3.0%	2,683	2.8%
State Operating Funds	32	377	1078.1%	385	2.1%	395	2.6%	406	2.8%
Local Assistance	19	334	1657.9%	345	3.3%	355	2.9%	365	2.8%
State Operations	13	43	230.8%	40	-7.0%	40	0.0%	41	2.5%
Federal Operating Funds	1,507	2,084	38.3%	2,150	3.2%	2,215	3.0%	2,277	2.8%

The Enacted Budget Financial Plan includes forecast revisions based on updated income level data associated with program enrollees, which is expected to drive an increased Federal share of funding and lower the State's share of support as compared with initial estimates. The State's program costs associated with the EP program, and related savings, are managed within the total available resources of the Medicaid Global Cap.

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,774**	**1,643**	**-7.4%**	**1,684**	**2.5%**	**1,713**	**1.7%**	**1,866**	**8.9%**
Public Health	**1,647**	**1,513**	**-8.1%**	**1,551**	**2.5%**	**1,575**	**1.5%**	**1,723**	**9.4%**
Child Health Plus	378	220	-41.8%	230	4.5%	246	7.0%	374	52.0%
General Public Health Work	194	199	2.6%	202	1.5%	206	2.0%	210	1.9%
EPIC	126	132	4.8%	133	0.8%	128	-3.8%	128	0.0%
Early Intervention	160	159	-0.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	426	383	-10.1%	398	3.9%	397	-0.3%	402	1.3%
All Other	363	420	15.7%	429	2.1%	439	2.3%	450	2.5%
Aging	**127**	**130**	**2.4%**	**133**	**2.3%**	**138**	**3.8%**	**143**	**3.6%**

The FY 2017 Enacted Budget Financial Plan includes approximately $106 million in savings, from the CHP program ($70 million) and HCRA Program account ($36 million), by leveraging enhanced Federal funding for children's health care programs serving populations that meet expanded income thresholds, thus lowering State costs. Growth in FY 2020 for the CHP program is driven mainly by the expirations of enhanced FMAP on September 30, 2019, which will shift a significant portion of support back to State funds.

Annual GPHW spending has been revised in each plan year to reflect recent claiming patterns, and is projected to grow at moderate levels. EPIC program growth reflects increasing pharmaceutical costs which impact Medicare Part D premium payment estimates.

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

HCRA Financial Plan

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

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

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

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

	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
OPENING BALANCE	**14**	**78**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,655**	**5,538**	**5,529**	**5,554**	**5,576**
Surcharges	3,118	3,091	3,131	3,191	3,251
Covered Lives Assessment	1,112	1,079	1,045	1,045	1,045
Cigarette Tax Revenue	928	878	847	816	781
Hospital Assessments	397	404	424	424	424
NYC Cigarette Tax Transfer/Other	100	86	82	78	75
TOTAL DISBURSEMENTS	**5,591**	**5,616**	**5,529**	**5,554**	**5,576**
Medicaid Assistance Account[1]	3,523	3,737	3,713	3,708	3,590
Medicaid Costs	*3,326*	*3,540*	*3,516*	*3,511*	*3,393*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	961	952	892	892	892
HCRA Program Account	429	393	408	406	411
Child Health Plus	381	223	234	249	378
Elderly Pharmaceutical Insurance Coverage	137	144	145	140	140
SHIN-NY/APCD	42	30	0	0	0
All Other	118	137	137	159	165
ANNUAL OPERATING SURPLUS/(DEFICIT)	**64**	**(78)**	**0**	**0**	**0**
CLOSING BALANCE	**78**	**0**	**0**	**0**	**0**

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

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

HCRA spending is expected to total $5.6 billion in FY 2017. The most significant area of spending growth includes additional financing of the State share of Medicaid costs, which is partly offset by a significant decrease in spending for CHP as the availability of Federal resources through the ACA will increase. The Enacted Budget Financial Plan reflects a nonrecurring reduction in HCRA transfers to the Excess Medical Malpractice Liability Pool, which reimburses certain physicians and dentists for a secondary level of medical malpractice insurance coverage, by offsetting the State's FY 2017 subsidy level with existing fund balance availability.

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

Mental Hygiene

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

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

MENTAL HYGIENE
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,646**	**2,571**	**-2.8%**	**3,132**	**21.8%**	**3,494**	**11.6%**	**3,738**	**7.0%**
People with Developmental Disabilities	**2,075**	**2,193**	**5.7%**	**2,362**	**7.7%**	**2,522**	**6.8%**	**2,688**	**6.6%**
Residential Services	1,386	1,465	5.7%	1,578	7.7%	1,685	6.8%	1,796	6.6%
Day Programs	604	638	5.6%	687	7.7%	734	6.8%	782	6.5%
Clinic	20	21	5.0%	23	9.5%	24	4.3%	26	8.3%
All Other Local/Resources	65	69	6.2%	74	7.2%	79	6.8%	84	6.3%
Mental Health	**1,135**	**1,191**	**4.9%**	**1,309**	**9.9%**	**1,446**	**10.5%**	**1,502**	**3.9%**
Adult Local Services	917	967	5.5%	1,063	9.9%	1,185	11.5%	1,224	3.3%
Children Local Services	218	224	2.8%	246	9.8%	261	6.1%	278	6.5%
Alcohol and Substance Abuse	**307**	**320**	**4.2%**	**350**	**9.4%**	**371**	**6.0%**	**391**	**5.4%**
Outpatient/Methadone	117	122	4.3%	134	9.8%	142	6.0%	149	4.9%
Residential	123	128	4.1%	140	9.4%	148	5.7%	156	5.4%
Prevention and Program Support	59	61	3.4%	67	9.8%	71	6.0%	75	5.6%
Crisis	8	9	12.5%	9	0.0%	10	11.1%	11	10.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,518**	**3,705**	**5.3%**	**4,022**	**8.6%**	**4,340**	**7.9%**	**4,582**	**5.6%**
Other Adjustments	**(872)**	**(1,134)**	**-30.0%**	**(890)**	**21.5%**	**(846)**	**4.9%**	**(844)**	**0.2%**
Global Cap Adjustment	(867)	(1,092)	-26.0%	(848)	22.3%	(804)	5.2%	(802)	0.2%
Other DOH Offsets	(42)	(42)	0.0%	(42)	0.0%	(42)	0.0%	(42)	0.0%
53rd Medicaid Cycle	37	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

Local assistance spending accounts for over 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 6.8 percent annually. The main factor driving this level of growth is enhancement of community mental health services; enhancing community-based employment and residential opportunities for individuals with disabilities; maximizing payments from third-party payers; and providing cost-of-living increases and new funding to not-for-profit providers for the minimum wage increase authorized as part of the Enacted Budget agreement.

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

This funding increase is offset by technical adjustments to the Medicaid Global Cap ($225 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources, and recognition of one-time costs in FY 2016 for a 53rd weekly Medicaid Cycle ($37 million). These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

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

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,213**	**1,252**	**3.2%**	**1,281**	**2.3%**	**1,299**	**1.4%**	**1,309**	**0.8%**
SSI	641	670	4.5%	679	1.3%	679	0.0%	679	0.0%
Public Assistance Benefits	474	459	-3.2%	474	3.3%	477	0.6%	479	0.4%
Public Assistance Initiatives	7	29	314.3%	27	-6.9%	36	33.3%	36	0.0%
All Other	91	94	3.3%	101	7.4%	107	5.9%	115	7.5%

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

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES
(millions of dollars)

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

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

Transportation

In FY 2017, the State will provide approximately $5.0 billion in operating aid to mass transit systems. The aid is funded mainly from dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up the lost revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,745**	**4,952**	**4.4%**	**5,040**	**1.8%**	**5,097**	**1.1%**	**5,192**	**1.9%**
Mass Transit Operating Aid:	2,160	2,280	5.6%	2,280	0.0%	2,280	0.0%	2,280	0.0%
Metro Mass Transit Aid	2,030	2,152	6.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	86	84	-2.3%	84	0.0%	84	0.0%	84	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,851	1,950	5.3%	2,052	5.2%	2,113	3.0%	2,207	4.4%
Dedicated Mass Transit	666	661	-0.8%	651	-1.5%	647	-0.6%	649	0.3%
AMTAP	68	61	-10.3%	56	-8.2%	56	0.0%	56	0.0%
All Other	0	0	0.0%	1	0.0%	1	0.0%	0	-100.0%

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

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

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM
(millions of dollars)

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

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

Agency Operations

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Negotiated Base Salary Increases[1]					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	TBD	TBD	TBD	TBD
PEF[2]	2%	TBD	TBD	TBD	TBD
PBANYS	TBD	TBD	TBD	TBD	TBD
NYSPBA	2%	1.5%	1.5%	TBD	TBD
State Workforce[3]	117,863	118,590	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization[4]	18.9%	15.9%	15.5%	15.0%	15.2%
After Amortization[5]	19.3%	19.5%	19.4%	18.8%	18.9%
PFRS Contribution Rate					
Before Amortization[4]	25.5%	25.1%	23.8%	23.3%	23.5%
After Amortization[5]	27.6%	28.7%	27.1%	26.5%	26.7%
Employee/Retiree Health Insurance Growth Rates	4.6%	7.4%	6.0%	6.7%	6.8%
PS/Fringe as % of Receipts (All Funds Basis)	13.7%	13.8%	13.5%	13.7%	13.7%

1 Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
2 The State recently reached a one-year 2% retroactive labor agreement, and a pay bill was subsequently passed by the Legislature.
3 Reflects workforce that is subject to direct Executive control.
4 Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP).
5 After amortization contribution rate includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to grow modestly over the financial plan period from $18.5 billion in FY 2017 to $19.0 billion in FY 2020. Most executive agencies are expected to hold spending at FY 2016 levels. The annual increase reflects expected increases for employee health insurance costs and the State's annual pension payment, as well as costs for the DOH to operate the NYSOH health benefit exchange, continue the transition of administrative functions from local service districts to the State, and operate the new EP. The Budget includes costs from collective bargaining agreements, (1.5 percent increases in FYs 2017 and 2018 for NYSPBA), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries.

Excluding the 27th institutional payroll in FY 2016 and certain repayments to NYPA, Executive agency operational costs are expected to total $9.9 billion in FY 2017, slightly lower than FY 2016. In FY 2018 and beyond, spending is expected to increase by $60 to $80 million annually. Agencies with growth include the DOH, attributable to the NYSOH benefit exchange and the new EP program; Corrections; State Police; Gaming; OMH; OPWDD; and OCFS.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,145**	**9,964**	**10,247**	**10,114**	**10,152**
Mental Hygiene	2,824	2,738	2,733	2,775	2,816
Corrections and Community Supervision	2,618	2,622	2,630	2,632	2,640
State Police	693	685	696	696	696
Information Technology Services[1]	506	533	565	577	577
Public Health	403	383	377	377	378
Tax and Finance	336	328	329	329	329
Medicaid Admin/EP	286	340	367	368	376
Children and Family Services	263	245	247	254	254
Environmental Conservation	238	229	229	230	230
Financial Services	202	211	212	212	212
Parks, Recreation and Historic Preservation	181	177	177	175	175
General Services	157	166	166	166	166
Gaming	147	153	158	158	158
Temporary and Disability Assistance	147	130	125	125	125
Workers' Compensation Board	139	137	142	143	145
Extra Bi-Weekly Institutional Pay Period	163	0	0	0	0
New York Power Authority Repayment	21	21	236	22	0
All Other	821	866	858	875	875
UNIVERSITY SYSTEMS	**5,953**	**6,006**	**6,081**	**6,180**	**6,286**
State University	5,866	5,920	5,994	6,092	6,196
City University	87	86	87	88	90
INDEPENDENT AGENCIES	**310**	**319**	**320**	**321**	**324**
Law	169	172	173	174	177
Audit & Control (OSC)	141	147	147	147	147
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,408**	**16,289**	**16,648**	**16,615**	**16,762**
Judiciary	1,959	2,026	2,026	2,051	2,053
Legislature	216	219	219	219	219
Statewide Total	**18,583**	**18,534**	**18,893**	**18,885**	**19,034**
Personal Service	12,981	12,841	12,900	13,020	13,113
Non-Personal Service	5,602	5,693	5,993	5,865	5,921

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

The most significant changes include:

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

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

- **Mental Hygiene:** Lower Mental Hygiene agency spending in FY 2017 is the result of aligning PS and NPS costs to the appropriate fund type.

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

- **Extra Biweekly Institutional Pay Period:** There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule had one additional payroll driven by the way the calendar fell.

- **Judiciary:** FY 2017 salary increase for judges, as authorized by the New York State Commission on Legislative, Judicial, and Executive Compensation, will be absorbed within the Judiciary's budget.

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

Workforce

In FY 2017, $12.8 billion or 13.3 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 98,000 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); employees paid on a nonannual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

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

	Dollars	FTEs
Subject to Direct Executive Control	**7,163**	**98,198**
Mental Hygiene Agencies	2,239	33,825
Corrections and Community Supervision	2,070	28,123
State Police	619	5,608
Tax and Finance	269	4,267
Health	268	3,743
Environmental Conservation	174	2,164
Children and Family Services	162	2,465
Financial Services	154	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	1,076	15,093
University Systems	**3,723**	**43,982**
State University	3,678	43,667
City University[2]	45	315
Independent Agencies	**1,955**	**18,185**
Law	118	1,583
Audit & Control (OSC)	114	1,603
Judiciary	1,557	14,998
Legislature[3]	166	1
Total	**12,841**	**160,365**

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

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

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

General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.[14] The Judiciary pays its fringe benefit costs directly.

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

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

GENERAL STATE CHARGES
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,452**	**7,551**	**1.3%**	**8,022**	**6.2%**	**8,302**	**3.5%**	**8,736**	**5.2%**
Fringe Benefits	**7,045**	**7,143**	**1.4%**	**7,622**	**6.7%**	**7,899**	**3.6%**	**8,328**	**5.4%**
Health Insurance	3,463	3,720	7.4%	3,943	6.0%	4,209	6.7%	4,493	6.8%
Employee Health Insurance	2,178	2,343	7.6%	2,484	6.0%	2,651	6.7%	2,831	6.8%
Retiree Health Insurance	1,285	1,376	7.1%	1,459	6.0%	1,557	6.7%	1,663	6.8%
Pensions	2,225	2,352	5.7%	2,463	4.7%	2,445	-0.7%	2,500	2.2%
Social Security	985	966	-2.0%	971	0.6%	979	0.8%	984	0.5%
Worker's Compensation	476	320	-32.8%	432	35.0%	473	9.5%	583	23.3%
Employee Benefits	91	89	-2.2%	90	1.1%	91	1.1%	92	1.1%
Dental Insurance	59	65	10.2%	65	0.0%	65	0.0%	65	0.0%
Unemployment Insurance	15	17	13.3%	17	0.0%	17	0.0%	17	0.0%
All Other/Non-State Escrow	(270)	(385)	-42.6%	(359)	6.8%	(380)	-5.8%	(406)	-6.8%
Fixed Costs	**407**	**408**	**0.2%**	**399**	**-2.1%**	**404**	**1.0%**	**408**	**1.0%**

GSCs are projected to increase at an average annual rate of 4.1 percent over the Financial Plan period, driven primarily by cost increases for pension contributions and the employer share of costs for employee and retiree health insurance benefits.

In FY 2017, State Operating Funds spending is projected to increase by $99 million (1.3 percent). Health insurance increases are due to rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, and price inflation. Pension cost growth reflects the impact of higher graded rates, which increases the State's gross funding liability, and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

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

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

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

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	FY 2016 Results	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**11,376**	**12,160**	**11,375**	**12,005**	**12,156**
State Share of Mental Hygiene Medicaid[1]	**2,036**	**1,437**	**1,325**	**1,301**	**1,236**
Debt Service	**1,196**	**706**	**1,260**	**1,182**	**1,076**
SUNY University Operations	**998**	**996**	**1,001**	**997**	**997**
Capital Projects	**2,721**	**4,461**	**3,019**	**3,399**	**3,311**
Dedicated Highway and Bridge Trust Fund	681	602	711	692	974
Dedicated Infrastructure Investment Fund	857	1,351	1,701	1,700	732
Management of Debt Issuances	0	1,300	(800)	(500)	0
Environmental Protection Fund	23	146	28	28	28
All Other Capital	1,160	1,062	1,379	1,479	1,577
ALL OTHER TRANSFERS	**4,425**	**4,560**	**4,770**	**5,126**	**5,536**
Mental Hygiene	3,195	3,284	3,512	3,882	4,288
Department of Transportation (MTA Payroll Tax)	331	333	334	334	335
SUNY - Medicaid Reimbursement	355	282	282	282	282
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	88	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	66	66	66
Banking Services	52	52	53	53	53
Indigent Legal Services	30	35	35	35	35
Mass Transportation Operating Assistance	21	37	38	38	38
Alcoholic Beverage Control	15	0	0	0	0
Information Technology Services	8	2	2	2	2
Public Transportation Systems	15	15	16	16	16
Correctional Industries	11	11	11	11	11
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	7	5	5	5	5
All Other	118	237	231	217	220

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

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

General Fund transfers to other funds are expected to total $12.2 billion in FY 2017, a $784 million increase from FY 2016. This growth is primarily due to transfers and uses of settlement money.

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2016 Results	FY 2017 Enacted	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
General Fund	1,196	706	-41.0%	1,260	78.5%	1,182	-6.2%	1,076	-9.0%
Other State Support	4,402	4,497	2.2%	4,997	11.1%	5,589	11.8%	6,156	10.1%
State Operating/All Funds Total	**5,598**	**5,203**	**-7.1%**	**6,257**	**20.3%**	**6,771**	**8.2%**	**7,232**	**6.8%**

Total State Operating/All Funds debt service is projected at $5.2 billion in FY 2017, of which approximately $706 million is paid from the General Fund via transfers, and $4.5 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds. Additional information on the different types of State-supported bonds, including the sources of payment for debt service, is provided in the "Capital Program and Financing Plan" section of the AIS.

The FY 2017 Enacted Budget Financial Plan estimates for debt service spending reflect a number of factors, including bond sale results to date, assumed debt management savings, revised bond-financed capital spending estimates, and increased debt service costs associated with enacted additional capital commitment levels. Debt service spending in FY 2016 reflected prepayments of about $710 million due during FY 2017, and FY 2017 debt service spending estimates assume the prepayment of $60 million of debt service due during FY 2018.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund. The Financial Plan projections for FY 2017 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2% Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2017 THROUGH FY 2020
(millions of dollars)

	FY 2017 Enacted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:				
Withholdings	38,356	39,802	41,056	43,158
Estimated Payments	16,106	17,805	17,194	18,244
Final Payments	2,720	2,891	3,034	3,168
Other Payments	1,358	1,397	1,457	1,521
Gross Collections	58,540	61,895	62,741	66,091
State/City Offset	(688)	(688)	(688)	(589)
Refunds	(8,388)	(9,452)	(10,319)	(11,759)
Reported Tax Collections	49,464	51,755	51,734	53,743
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	49,464	51,755	51,734	53,743
Sales and Use Tax	13,870	14,573	15,192	15,780
Cigarette and Tobacco Taxes	1,226	1,192	1,151	1,105
Motor Fuel Tax	494	491	486	483
Alcoholic Beverage Taxes	258	263	268	273
Medical Marihuana Excise Tax	4	4	4	4
Highway Use Tax	84	138	140	141
Auto Rental Tax	128	135	142	149
Taxicab Surcharge	70	70	70	70
Gross Utility Taxes and Fees	16,134	16,866	17,453	18,005
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	16,134	16,866	17,453	18,005
Corporation Franchise Tax	4,483	4,780	4,822	5,222
Corporation and Utilities Tax	738	732	744	754
Insurance Taxes	1,477	1,572	1,701	1,784
Bank Tax	203	190	143	71
Petroleum Business Tax	1,093	1,049	1,038	1,032
Business Taxes	7,994	8,323	8,448	8,863
Estate Tax	1,024	949	912	963
Real Estate Transfer Tax	1,138	1,204	1,258	1,308
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	3	3	3	3
Gross Other Taxes	2,183	2,174	2,191	2,292
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,183	2,174	2,191	2,292
Payroll Tax	1,353	1,416	1,485	1,562
Total Taxes	77,128	80,534	81,311	84,465
Licenses, Fees, Etc.	609	661	634	666
Abandoned Property	525	525	525	525
Motor Vehicle Fees	1,354	1,415	1,435	1,440
ABC License Fee	63	60	66	62
Reimbursements	298	298	280	303
Investment Income	10	13	8	8
Other Transactions	20,708	22,903	22,360	21,798
Miscellaneous Receipts	23,567	25,875	25,308	24,802
Federal Receipts	51,651	52,733	53,490	54,512
Total	152,346	159,142	160,109	163,779

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	8,934	3,547	160	12,641
Receipts:				
Taxes	47,752	8,214	19,866	75,832
Miscellaneous Receipts	2,813	15,465	455	18,733
Federal Receipts	0	1	73	74
Total Receipts	50,565	23,680	20,394	94,639
Disbursements:				
Local Assistance Grants	45,957	18,932	0	64,889
Departmental Operations:				
Personal Service	6,054	6,787	0	12,841
Non-Personal Service	2,245	3,409	39	5,693
General State Charges	5,425	2,126	0	7,551
Debt Service	0	0	5,203	5,203
Capital Projects	0	3	0	3
Total Disbursements	59,681	31,257	5,242	96,180
Other Financing Sources (Uses):				
Transfers from Other Funds	18,411	7,853	3,262	29,526
Transfers to Other Funds	(12,160)	(698)	(18,325)	(31,183)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,251	7,155	(15,063)	(1,657)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,865)	(422)	89	(3,198)
Closing Fund Balance	6,069	3,125	249	9,443

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,311	8,057	20,840	79,208
Miscellaneous Receipts	2,486	15,581	465	18,532
Federal Receipts	0	1	73	74
Total Receipts	52,797	23,639	21,378	97,814
Disbursements:				
Local Assistance Grants	49,086	18,799	0	67,885
Departmental Operations:				
Personal Service	6,097	6,803	0	12,900
Non-Personal Service	2,558	3,386	49	5,993
General State Charges	5,824	2,198	0	8,022
Debt Service	0	0	6,257	6,257
Capital Projects	0	2	0	2
Total Disbursements	63,565	31,188	6,306	101,059
Other Financing Sources (Uses):				
Transfers from Other Funds	18,640	8,044	3,976	30,660
Transfers to Other Funds	(11,375)	(205)	(18,940)	(30,520)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,265	7,839	(14,964)	140
Use (Reservation) of Fund Balance:				
Monetary Settlements	902	0	0	902
Programmed	902	0	0	0
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	902	0	0	902
Adherence to 2% Spending Benchmark*	2,956	0	0	2,956
Net Surplus (Deficit)	355	290	108	753

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

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2019
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,679	8,128	21,182	79,989
Miscellaneous Receipts	2,455	15,809	461	18,725
Federal Receipts	0	1	73	74
Total Receipts	53,134	23,938	21,716	98,788
Disbursements:				
Local Assistance Grants	51,650	19,092	0	70,742
Departmental Operations:				
Personal Service	6,135	6,885	0	13,020
Non-Personal Service	2,364	3,452	49	5,865
General State Charges	6,033	2,269	0	8,302
Debt Service	0	0	6,771	6,771
Capital Projects	0	0	0	0
Total Disbursements	66,182	31,698	6,820	104,700
Other Financing Sources (Uses):				
Transfers from Other Funds	18,378	8,319	3,821	30,518
Transfers to Other Funds	(12,005)	(215)	(18,625)	(30,845)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,373	8,104	(14,804)	(327)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,200	0	0	1,200
Programmed	1,200	0	0	1,200
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	1,200
Adherence to 2% Spending Benchmark*	4,634	0	0	4,634
Net Surplus (Deficit)	(841)	344	92	(405)

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

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	52,943	8,188	22,011	83,142
Miscellaneous Receipts	2,318	15,651	459	18,428
Federal Receipts	0	1	73	74
Total Receipts	55,261	23,840	22,543	101,644
Disbursements:				
Local Assistance Grants	54,496	19,067	0	73,563
Departmental Operations:				
Personal Service	6,189	6,924	0	13,113
Non-Personal Service	2,451	3,421	49	5,921
General State Charges	6,417	2,319	0	8,736
Debt Service	0	0	7,232	7,232
Capital Projects	0	0	0	0
Total Disbursements	69,553	31,731	7,281	108,565
Other Financing Sources (Uses):				
Transfers from Other Funds	18,820	8,520	3,837	31,177
Transfers to Other Funds	(12,156)	(216)	(18,939)	(31,311)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,664	8,304	(15,102)	(134)
Use (Reservation) of Fund Balance:				
Monetary Settlements	731	0	0	731
Programmed	731	0	0	731
Unbudgeted	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	731
Adherence to 2% Spending Benchmark*	6,498	0	0	6,498
Net Surplus (Deficit)	(399)	413	160	174

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

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	8,934	3,607	(891)	160	11,810
Receipts:					
Taxes	47,752	8,214	1,296	19,866	77,128
Miscellaneous Receipts	2,813	15,681	4,618	455	23,567
Federal Receipts	0	49,416	2,162	73	51,651
Total Receipts	50,565	73,311	8,076	20,394	152,346
Disbursements:					
Local Assistance Grants	45,957	64,737	4,203	0	114,897
Departmental Operations:					
Personal Service	6,054	7,442	0	0	13,496
Non-Personal Service	2,245	4,635	0	39	6,919
General State Charges	5,425	2,445	0	0	7,870
Debt Service	0	0	0	5,203	5,203
Capital Projects	0	3	7,717	0	7,720
Total Disbursements	59,681	79,262	11,920	5,242	156,105
Other Financing Sources (Uses):					
Transfers from Other Funds	18,411	7,853	4,758	3,262	34,284
Transfers to Other Funds	(12,160)	(2,417)	(1,457)	(18,325)	(34,359)
Bond and Note Proceeds	0	0	609	0	609
Net Other Financing Sources (Uses)	6,251	5,436	3,910	(15,063)	534
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,865)	(515)	66	89	(3,225)
Closing Fund Balance	6,069	3,092	(825)	249	8,585

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,311	8,057	1,326	20,840	80,534
Miscellaneous Receipts	2,486	15,797	7,127	465	25,875
Federal Receipts	0	50,567	2,093	73	52,733
Total Receipts	52,797	74,421	10,546	21,378	159,142
Disbursements:					
Local Assistance Grants	49,086	65,568	4,846	0	119,500
Departmental Operations:					
Personal Service	6,097	7,459	0	0	13,556
Non-Personal Service	2,558	4,594	0	49	7,201
General State Charges	5,824	2,522	0	0	8,346
Debt Service	0	0	0	6,257	6,257
Capital Projects	0	2	8,075	0	8,077
Total Disbursements	63,565	80,145	12,921	6,306	162,937
Other Financing Sources (Uses):					
Transfers from Other Funds	18,640	8,044	3,148	3,976	33,808
Transfers to Other Funds	(11,375)	(2,081)	(1,506)	(18,940)	(33,902)
Bond and Note Proceeds	0	0	728	0	728
Net Other Financing Sources (Uses)	7,265	5,963	2,370	(14,964)	634
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	0	0
Monetary Settlements	902	0	0	0	902
Programmed	902	0	0	0	902
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	902	0	0	0	902
Adherence to 2% Spending Benchmark*	2,956	0	0	0	2,956
Net Surplus (Deficit)	355	239	(5)	108	697

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

Source: NYS DOB.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,679	8,128	1,322	21,182	81,311
Miscellaneous Receipts	2,455	16,025	6,367	461	25,308
Federal Receipts	0	51,326	2,091	73	53,490
Total Receipts	53,134	75,479	9,780	21,716	160,109
Disbursements:					
Local Assistance Grants	51,650	66,652	4,386	0	122,688
Departmental Operations:					
Personal Service	6,135	7,548	0	0	13,683
Non-Personal Service	2,364	4,639	0	49	7,052
General State Charges	6,033	2,597	0	0	8,630
Debt Service	0	0	0	6,771	6,771
Capital Projects	0	0	7,992	0	7,992
Total Disbursements	66,182	81,436	12,378	6,820	166,816
Other Financing Sources (Uses):					
Transfers from Other Funds	18,378	8,319	3,527	3,821	34,045
Transfers to Other Funds	(12,005)	(2,041)	(1,479)	(18,625)	(34,150)
Bond and Note Proceeds	0	0	531	0	531
Net Other Financing Sources (Uses)	6,373	6,278	2,579	(14,804)	426
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,200	0	0	0	1,200
Programmed	1,200	0	0	0	1,200
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	1,200	0	0	0	1,200
Adherence to 2% Spending Benchmark*	4,634	0	0	0	4,634
Net Surplus (Deficit)	(841)	321	(19)	92	(447)

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

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	52,943	8,188	1,323	22,011	84,465
Miscellaneous Receipts	2,318	15,867	6,158	459	24,802
Federal Receipts	0	52,292	2,147	73	54,512
Total Receipts	55,261	76,347	9,628	22,543	163,779
Disbursements:					
Local Assistance Grants	54,496	67,662	4,143	0	126,301
Departmental Operations:					
Personal Service	6,189	7,589	0	0	13,778
Non-Personal Service	2,451	4,627	0	49	7,127
General State Charges	6,417	2,648	0	0	9,065
Debt Service	0	0	0	7,232	7,232
Capital Projects	0	0	7,568	0	7,568
Total Disbursements	69,553	82,526	11,711	7,281	171,071
Other Financing Sources (Uses):					
Transfers from Other Funds	18,820	8,520	3,415	3,837	34,592
Transfers to Other Funds	(12,156)	(1,888)	(1,711)	(18,939)	(34,694)
Bond and Note Proceeds	0	0	365	0	365
Net Other Financing Sources (Uses)	6,664	6,632	2,069	(15,102)	263
Use (Reservation) of Fund Balance:					
Monetary Settlements	731	0	0	0	731
Programmed	731	0	0	0	731
Unbudgeted	0	0	0	0	0
Total Use (Reservation) of Fund Balance	731	0	0	0	731
Adherence to 2% Spending Benchmark	6,498	0	0	0	6,498
Net Surplus (Deficit)	(399)	453	(14)	160	200

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

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2017
(dollars in millions)

	2016 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2017 January Projected	February Projected	March Projected	Total
OPENING BALANCE	8,934	10,864	7,460	8,186	7,836	7,187	10,815	9,626	7,607	10,722	11,734	11,696	8,934
RECEIPTS:													
Personal Income Tax	4,764	1,778	3,455	1,960	2,286	3,782	1,684	1,947	3,726	3,217	2,605	2,666	33,870
Consumption/Use Taxes	541	528	670	571	544	684	554	555	715	584	468	673	7,087
Business Taxes	158	67	864	96	72	972	88	106	1,159	167	99	1,902	5,750
Other Taxes	74	88	89	88	89	89	89	88	88	88	88	87	1,045
Total Taxes	5,537	2,461	5,078	2,715	2,991	5,527	2,415	2,696	5,688	4,056	3,260	5,328	47,752
Abandoned Property	0	0	0	0	0	20	25	120	25	40	20	275	525
ABC License Fee	5	5	6	6	5	6	6	5	5	5	5	4	63
Investment Income	2	1	1	1	1	1	1	1	1	1	1	(2)	10
Licenses, Fees, etc.	22	45	55	45	55	65	40	50	65	45	60	62	609
Motor Vehicle Fees	17	16	15	16	20	18	15	14	12	13	13	14	183
Reimbursements	8	2	55	10	8	55	3	20	50	14	30	43	298
Other Transactions	32	388	58	31	32	212	33	56	78	56	32	117	1,125
Total Miscellaneous Receipts	86	457	190	109	121	377	123	266	236	174	161	513	2,813
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,587	575	1,291	482	293	1,535	563	373	1,284	506	644	1,766	10,899
Tax in Excess of LGAC	243	71	476	254	210	313	251	251	332	264	3	200	2,868
Sales Tax Bond Fund	193	188	254	201	195	282	192	192	273	205	156	316	2,647
Real Estate Taxes in Excess of CW/CA Debt Service	84	74	69	73	83	89	89	78	81	93	79	59	951
All Other	5	35	1	1	1	54	6	1	1	36	99	806	1,046
Total Transfers from Other Funds	2,112	943	2,091	1,011	782	2,273	1,101	895	1,971	1,104	981	3,147	18,411
TOTAL RECEIPTS	7,735	3,861	7,359	3,835	3,894	8,177	3,639	3,857	7,895	5,334	4,402	8,988	68,976
DISBURSEMENTS:													
School Aid	754	3,140	1,616	127	998	1,208	924	1,702	1,881	814	482	7,455	21,101
Higher Education	19	6	654	249	134	192	350	46	210	40	362	769	3,031
All Other Education	52	182	541	235	39	294	119	30	187	45	105	488	2,317
Medicaid - DOH	1,008	1,088	1,067	774	1,075	577	1,074	1,284	721	959	986	2,070	12,683
Public Health	20	221	59	47	37	45	52	36	70	38	56	63	744
Mental Hygiene	3	1	241	2	2	234	2	1	264	12	53	181	996
Children and Families	27	97	231	97	97	231	97	97	231	97	129	237	1,668
Temporary & Disability Assistance	95	99	157	100	99	99	99	99	99	99	99	108	1,252
Transportation	0	24	10	0	24	0	0	24	11	0	13	0	106
Unrestricted Aid	0	11	389	0	0	98	7	0	186	0	0	63	754
All Other	10	(51)	222	41	46	39	(18)	196	185	201	199	235	1,305
Total Local Assistance Grants	1,988	4,818	5,187	1,672	2,551	3,017	2,706	3,515	4,045	2,305	2,484	11,669	45,957
Personal Service	475	465	597	454	465	541	458	595	470	456	454	624	6,054
Non-Personal Service	103	138	147	157	170	201	176	183	185	190	192	403	2,245
Total Departmental Operations	578	603	744	611	635	742	634	778	655	646	646	1,027	8,299
General State Charges	2,440	173	291	385	269	194	455	298	76	456	151	237	5,425
Debt Service	245	0	(3)	153	(3)	(71)	103	0	(2)	330	(20)	(26)	706
Capital Projects	162	293	(1)	602	487	498	179	431	(198)	405	1,013	590	4,461
State Share Medicaid	95	139	101	108	118	115	117	154	118	155	116	101	1,437
SUNY Operations	213	213	213	179	0	0	0	179	0	0	0	(1)	996
Other Purposes	84	1,026	101	475	486	54	634	521	86	25	50	1,018	4,560
Total Transfers to Other Funds	799	1,671	411	1,517	1,088	596	1,033	1,285	4	915	1,159	1,682	12,160
TOTAL DISBURSEMENTS	5,805	7,265	6,633	4,185	4,543	4,549	4,828	5,876	4,780	4,322	4,440	14,615	71,841
Excess/(Deficiency) of Receipts over Disbursements	1,930	(3,404)	726	(350)	(649)	3,628	(1,189)	(2,019)	3,115	1,012	(38)	(5,627)	(2,865)
CLOSING BALANCE	10,864	7,460	8,186	7,836	7,187	10,815	9,626	7,607	10,722	11,734	11,696	6,069	6,069

Source: NYS DOB.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF 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 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 of the State Finance Law.

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 Standard Resolution Provisions, 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 Obligation 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 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	State of New York
By: ____________________ Date: ____________________	____________________ for the Director of the Budget
Approved:	New York State Urban Development Corporation
By: ____________________ for the State Comptroller Date: ____________________	____________________ 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) <u>Obligations of the State and the Trustees.</u>

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(7) modifications to rights of security holders, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the obligated person;

(13) the consummation of a merger, consolidation or acquisition involving an obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(b) to the MSRB, in a timely manner, notice of a failure by the State to comply with Section 2(i)(a) or (b).

(iii)(a) Termination or Modification of Disclosure Obligation. The obligations of the State hereunder may be terminated if the State is no longer an "obligated person" as defined in Rule 15c2-12; provided, however, that if the State has hereby obligated itself to provide information relating to any entity that thereafter continues to constitute such an "obligated person", obligations of the State to provide such information shall not be so terminated. Upon any such termination, the State shall so advise each Authorized Issuer and each such Authorized Issuer shall electronically file notice thereof with the MSRB.

(b) Other Information. Nothing herein shall be deemed to prevent the Authorized Issuers or the State from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Authorized Issuers or the State should disseminate any such additional information, neither the Authorized Issuers nor the State shall have any obligation hereunder to update such information or to include it in any future materials disseminated hereunder.

(c) Credit Enhancement. Each agreement governing the provision of a Credit Facility, if any, shall require the provider thereof to provide the applicable Authorized Issuer with prompt written notice of any change in the name, address, and telephone number of a place where then current information regarding such provider may be obtained. In addition, such agreement shall require each provider of a Credit Facility promptly to notify the applicable Authorized Issuer of a change in any rating relating to such provider that would affect the rating of the Bonds by any rating agency then rating the Bonds. The applicable Authorized Issuer shall promptly provide the Comptroller, the Director and the applicable Trustee with copies of all notices received by it under this Section 2(c). The provisions of this Section 2(c) shall also apply to each provider of a substitute Credit Facility.

(d) Disclaimer. Each of the Director, the Comptroller, the Authorized Issuers and the Trustees shall be obligated to perform only those duties expressly provided for such entity in this Agreement, and none of the foregoing shall be under any obligation to the Holders or other parties hereto to perform, or monitor the performance of, any duties of such other parties. Without limiting the general application of the foregoing, the Authorized Issuers shall be under no obligation to the Holders or any other party hereto to review or otherwise pass upon the Annual Information or the financial statements provided pursuant to Section 2(i), and its obligations hereunder shall be limited solely to the undertaking set forth in Section 2(ii) and to the requirements of Sections 2(iii)(c) and Section 8.

(iv) MSRB Prescribed Identifying Information. All documents provided to the MSRB pursuant to this Agreement shall be accompanied by identifying information as prescribed from time to time by the MSRB.

SECTION 3. Annual Information.

(i) Specified Information. The Annual Information shall consist of the following:

(a) *financial information and operating data of the type included in the Official Statement for each series of Bonds, under the headings "PART 3 – "SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS", and "PART 4 – SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND"* which shall include information relating to the following:

(1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided);

(2) a historical summary of the New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund for a period of at least the five most recent completed fiscal years then available, together with an explanation of the factors affecting collection levels; and

(b) *financial information and operating data of the type included in the Annual Information Statement of the State set forth as an Appendix to, or incorporated by cross reference in, the Official Statement for the Bonds, under the headings or sub-headings "Prior Fiscal Years", "Debt and Other Financing Activities", "State Government Employment", "State Retirement Systems", and "Authorities and Localities"*, including, more specifically, information consisting of:

(1) *for prior fiscal years*, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in

accordance with GAAP for at least the two most recent fiscal years for which that information is then- currently available;

(2) *for debt and other financing activities*, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt;

(3) *for authorities and localities*, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and

(4) material information regarding State government employment and retirement systems; together with

(c) *such narrative explanation* as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data and in judging the financial condition of the State.

(ii) Cross Reference. All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which have been electronically filed with the MSRB or filed with the Securities and Exchange Commission; provided, however, that if the document is an official statement, it shall have been electronically filed with the MSRB and need not have been filed elsewhere. The audited or unaudited financial statements of the State may be provided in the same manner.

(iii) Informational Categories. The requirements contained in this Agreement under Section 3(i) are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3(i) call for information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(iv) Providers of Credit Support. If known to the applicable Authorized Issuer, such Authorized Issuer shall inform the State, and the required Annual Information shall include the name, address and telephone number of a place where current information regarding each issuer of a Credit Facility may be obtained.

(v) Omnibus Annual Information Undertaking. The parties to this Agreement recognize, understand and agree that the information described in this Section 3 shall be set forth in the same manner in the respective Official Statements of each of the Authorized Issuers. Accordingly, a single electronic filing of the Annual Information with EMMA, shall be deemed to satisfy the Annual Information filing obligation created by this Agreement.

SECTION 4. Financial Statements.

The State's annual financial statements for each fiscal year shall be prepared in accordance with GAAP (unless applicable accounting principles are otherwise disclosed) and audited by an independent accounting firm in accordance with GAAS (but only if audited financial statements are otherwise available for such fiscal year).

SECTION 5. Remedies.

If any party hereto should fail to comply with any provision of this Agreement, then each of the other parties and, as a direct or third-party beneficiary, as the case may be, any Holder of Bonds may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole and exclusive remedy for breach of this Agreement shall be an action to compel specific performance of the obligations of such party hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; and provided further, that the rights of any Holder to challenge the adequacy of the information provided in accordance with Section 2 hereunder are conditioned upon the provisions of the Authorizing Document with respect to the enforcement of remedies of Holders upon the occurrence of an Event of Default described in Section A-1001(g) of the Authorizing Document as though such provisions applied hereunder. Each of the Director, the Comptroller, the applicable Authorized Issuer and the applicable Trustee reserves the right, but shall not be obligated, to enforce the obligations of the others. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Authorizing Document or any other agreement executed and delivered in connection with the issuance of the Bonds. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to Section 6, beneficial owners shall be deemed to be Holders of Bonds for purposes of this Section 5.

SECTION 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds and, for the purposes of Section 5, beneficial owners of Bonds. For the purposes of such Section 5, beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. No person other than those described in Section 5 shall have any right to enforce the provisions hereof or any other rights hereunder.

SECTION 7. Amendments.

(i) Without the consent of any Holders (except to the extent required under clause (c)(II) of this sentence) or provider of any Credit Facility, the Authorized Issuers, the State, and the Trustees at any time and from time to time may enter into amendments or changes to this Agreement for any purpose, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of one or more of the Authorized Issuers or the State or any type of business or affairs conducted by either; (b) the undertakings set forth herein, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering of the Bonds, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and (c) either (I) the amendment does not materially impair the interests of the Holders, as determined either by each of the Trustees or by a nationally recognized bond counsel approved by the State or (II) the Holders consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Authorizing Document with the consent of Holders pursuant to Section A-1003 of the Authorizing Documents. In determining whether there is such a material impairment, the Trustees may rely upon an opinion of a nationally recognized bond counsel approved by the State. The interests of Holders shall be deemed not to have been materially impaired by an amendment (1) to add a dissemination agent for the information to be provided hereunder and to make any necessary or desirable provisions with respect thereto, (2) to evidence the succession of another entity to the State, an Authorized Issuer or a Trustee and the assumption by any such successor to the obligations of such party hereunder, or (3) to add to the obligations of the State or any Authorized Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the State or any Authorized Issuer.

(ii) Annual Information for any fiscal year containing any amended operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be electronically filed with the MSRB.

SECTION 8. Termination.

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on all Bonds (in each case in this Section 8, "Bonds" shall refer to each series of Bonds, respectively) shall have been paid in full or all Bonds shall have otherwise been paid or defeased in accordance with the applicable Authorizing Documents (a "Legal Defeasance"); provided, however, that if Rule 15c2-12 (or any successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then such information shall no longer be required to be provided hereunder; and provided further, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void, or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance of a series of Bonds, the applicable Authorized Issuer shall electronically file with the MSRB notice of such defeasance, and such notice shall state whether the applicable series of Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 8, the applicable Authorized Issuer shall electronically file with the MSRB notice of such termination.

SECTION 9. The Trustees.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of any Trustee and no Trustee shall be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) Each Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the applicable Authorizing Document for matters arising thereunder.

SECTION 10. Governing Law.

This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

SECTION 11. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all shall together constitute one and the same instrument.

SECTION 12. Effective Date.

This Agreement shall be effective as of December 1, 2010 unless the effective date of the applicable amendments to Rule 15c2-12 is delayed by the Securities and Exchange Commission, in which case (i) this Agreement shall be effective as of such later date, and (ii) the Master Continuing Disclosure Agreement dated as of May 1, 2002, as amended and restated as of July 1, 2009, shall remain in effect to such delayed effective date.

IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this amended and restated Master Continuing Disclosure Agreement as of the date first above written.

AUTHORIZED ISSUERS:

DORMITORY AUTHORITY OF THE STATE OF NEW YORK

By: ____________________
Name: Portia Lee
Title: Managing Director

NEW YORK STATE THRUWAY AUTHORITY

By: ____________________
Name: Michael R. Fleischer
Title: Executive Director

NEW YORK STATE ENVIRONMENTAL FACILITIES CORPORATION

By: ____________________
Name: James T. Gebhardt
Title: Chief Financial Officer

NEW YORK STATE URBAN DEVELOPMENT CORPORATION
d/b/a Empire State Development Corporation

By: ____________________
Name: Robert M. Godley
Title: Treasurer

NEW YORK STATE HOUSING FINANCE AGENCY

By: ____________________
Name: Marian Zucker
Title: President, Office of Finance & Development

THE STATE OF NEW YORK
Obligated Person

By Thomas P. DiNapoli, Comptroller

By: [signature]
Name: Mark P. Pattison
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: [signature]
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 FORM 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 2017A and Series 2017B Bonds, Hawkins Delafield & Wood LLP and the Law Offices of Joseph C. Reid, P.A., Co-Bond Counsel to the Corporation, each propose to render their approving opinion in substantially the following form:

[Closing Date]

New York State Urban Development
Corporation
d/b/a Empire State Development
633 Third Avenue
New York, New York 10017

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 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 "Corporation Act"), have examined a record of proceedings relating to the issuance of $807,960,000 aggregate principal amount of the Corporation's State Personal Income Tax Revenue Bonds (General Purpose), Series 2017A (the "Series 2017A Bonds"), and $1,034,705,000 aggregate principal amount of the Corporation's State Personal Income Tax Revenue Bonds (General Purpose), Series 2017B (Federally Taxable) (the "Series 2017B Bonds"; together with the Series 2017A Bonds, the "Series 2017 Bonds"). The Series 2017 Bonds are dated, bear interest, mature and are subject to redemption as set forth in the Resolutions hereinafter mentioned.

The Series 2017 Bonds are authorized to be issued pursuant to the Corporation Act, Part I of Chapter 383 of the Laws of New York of 2001, as amended (the "Enabling Act") and various statutes, as amended and supplemented, relating to projects financed by the Series 2017 Bonds, 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" (the "General Resolution"), as supplemented by a resolution of the Corporation adopted on November 30, 2016, entitled "Supplemental Resolution Authorizing $807,960,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2016B and $1,034,705,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2016C (Federally Taxable)" and by a resolution of the Corporation adopted on November 30, 2016, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2016B and Series 2016C (Federally Taxable)" (collectively, the "Supplemental Resolutions"; together with the General Resolution, the "Resolutions"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the General Resolution.

The Series 2017 Bonds are secured under the Resolutions by a pledge of the Pledged Property, including certain payments made by the State under a State Personal Income Tax Revenue Bonds (General Purpose) Financing Agreement dated as of December 1, 2009, between the Corporation and the Director of the Budget of the State of New York, as supplemented (the "Financing Agreement"), which payments are subject to annual appropriation by the New York State Legislature.

The Corporation heretofore has issued Bonds, and has reserved the right hereafter to issue additional Bonds, on the terms and conditions and for the purposes stated in the General Resolution. Under and subject to the terms of the General Resolution, the Series 2017 Bonds and all Bonds heretofore and hereafter issued under the General Resolution rank and will rank equally as to security and payment. In addition, all State Personal Income Tax Revenue Bonds issued pursuant to the Enabling Act by Authorized Issuers for Authorized Purposes are on a parity with each other as to payments from the Revenue Bond Tax Fund established by Section 92-z of the New York State Finance Law (the "Revenue Bond Tax Fund"), subject to annual appropriation by the New York State Legislature.

Pursuant to the Enabling Act, neither the Corporation nor the owners of the Series 2017 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.

Based on the foregoing, we are of the opinion that:

1. The Corporation has been duly created and is validly existing under the Corporation Act and has the right, power and authority to adopt the Resolutions and the Resolutions have been duly and lawfully adopted by the Corporation, are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms.

2. The Resolutions create the valid pledge which they purport to create of the Pledged Property, subject only to the provisions of the Resolutions permitting the application thereof to the purposes and on the terms and conditions set forth in the Resolutions.

3. The Series 2017 Bonds have been duly and validly authorized and issued by the Corporation and are valid and binding special obligations of the Corporation payable solely from the sources provided therefor in the Resolutions.

4. The Series 2017 Bonds are not a debt of the State and the State is not liable thereon, nor shall the Series 2017 Bonds be payable out of funds of the Corporation other than those pledged for the payment of the Series 2017 Bonds.

5. 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 of New York, constitutes a legal, valid and binding agreement of the Corporation, enforceable against the Corporation in accordance with its terms.

6. Under existing statutes and court decisions, interest on the Series 2017A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Series 2017A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for the purpose of calculating the alternative minimum tax imposed on such corporations. In rendering this opinion, we have relied on certain representations, certifications of fact and statements of reasonable expectations made by the Corporation, the New York State Department of Corrections and Community Supervision ("DOCCS"), the New York State Office of Children and Family Services ("OCFS"), the New York State Office of General Services ("OGS"), the New York State Housing Finance Agency ("HFA"), the New York State Affordable Housing Corporation ("AHC"), the New York State Homeless Housing and Assistance Corporation ("HHAC"), the New York State Housing Trust Fund Corporation ("HTFC"), the New York State Office of Information Technology Services ("OITS"), the New York State Office of Parks, Recreation and Historic Preservation ("OPRHP"), the New York State Department of Agriculture and Markets ("DAM"), the New York State Department of Law ("DOL"), the New York State Olympic Regional Development Authority ("ORDA"), the Albany Convention Center Authority ("ACCA"), the New York State Division of State Police ("DSP"), the New York State Division of Military and Naval Affairs ("DMNA"), the New York State Office

of Court Administration ("OCA"), the New York State Statewide Financial System ("SFS"), the New York State Energy Research and Development Authority ("NYSERDA") and others in connection with the Series 2017A Bonds, and we have assumed compliance by, as applicable, the Corporation, DOCCS, OCFS, OGS, HFA, AHC, HHAC, HTFC, OITS, OPRHP, DAM, DOL, ORDA, ACCA, DSP, DMNA, OCA, SFS and NYSERDA with certain ongoing covenants to comply with the applicable requirements of the Code to assure the exclusion of interest on the Series 2017A Bonds from gross income under Section 103 of the Code. Under the Code, failure to comply with such covenants may cause the interest on the Series 2017A Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Series 2017A Bonds, irrespective of the date on which such noncompliance occurs or is ascertained.

For any Series 2017A Bonds having original issue discount, original issue discount that has accrued and is properly allocable to the owners of such Series 2017A Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2017A Bonds.

7. Interest on the Series 2017B Bonds is included in gross income for Federal income tax purposes pursuant to the Code.

8. Under existing statutes, interest on the Series 2017 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

We are rendering this opinion letter under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement this opinion letter after the date hereof to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason.

We express no opinion herein regarding any Federal or state tax consequences with respect to the Series 2017 Bonds other than as expressed in paragraphs 6, 7 and 8 above. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2017A Bonds, or the exemption from personal income taxes of interest on the Series 2017 Bonds under state and local tax law.

In rendering this opinion letter, we are advising you that the enforceability of rights and remedies with respect to the Series 2017 Bonds, the Resolutions and the Financing Agreement may be limited by bankruptcy, insolvency and other laws affecting creditors' rights or remedies heretofore or hereafter enacted, and is subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined an executed Series 2017A Bond and an executed Series 2017B Bond and, in our opinion, the forms of said Series 2017 Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX F

REFUNDED BONDS

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REFUNDED BONDS

The State Personal Income Tax Revenue Bonds listed below are being refunded with a portion of the proceeds of the Series 2017A Bonds and the Series 2017B Bonds, together with other available funds, if any. All of the bonds listed below are the Refunded Bonds as described in "PART 9 – PLAN OF REFUNDING."

Certain of the Refunded Bonds represent partial refundings of individual maturities of bonds being refunded. The selection of beneficial ownership interests in the portions of such bonds that constitute the Refunded Bonds or that will not be refunded by the Series 2017 Bonds and will remain outstanding will be made by DTC in accordance with its procedures. It is expected that new CUSIP identification numbers will be issued to distinguish the beneficial ownership interests of the Refunded Bonds and such outstanding bonds of the same series, maturity and interest rate, and that upon issuance of those new numbers, the CUSIP identification numbers set forth below will be suspended and the new numbers will become applicable to the respective bonds.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	Redemption Price	CUSIP Number[†]
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2008A-1						
Serial Bonds	12/15/2018	5.000	$ 6,580,000	12/15/2017	100%	650035Y77
	12/15/2019	5.000	6,915,000	12/15/2017	100	650035Y85
	12/15/2020	5.000	7,260,000	12/15/2017	100	650035Y93
	12/15/2021	5.000	7,610,000	12/15/2017	100	650035Z27
	12/15/2022	5.000	7,995,000	12/15/2017	100	650035Z35
	12/15/2023	5.000	8,390,000	12/15/2017	100	650035Z43
	12/15/2024	4.000	1,890,000	12/15/2017	100	650035Z50
	12/15/2024	5.000	6,935,000	12/15/2017	100	650035Z68
	12/15/2025	5.000	9,240,000	12/15/2017	100	650035Z76
	12/15/2026	5.000	9,705,000	12/15/2017	100	650035Z84
	12/15/2027	4.000	750,000	12/15/2017	100	650035Z92
	12/15/2027	5.000	9,445,000	12/15/2017	100	6500352A5
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2009A-1						
Serial Bonds	12/15/2017	5.000%	$ 7,735,000	Maturity	n/a	650035PY8
	12/15/2018	5.000	8,135,000	Maturity	n/a	650035PZ5
	12/15/2019	5.000	8,540,000	12/15/2018	100%	650035QA9
	12/15/2020	5.000	8,970,000	12/15/2018	100	650035QB7
	12/15/2021	5.000	9,410,000	12/15/2018	100	650035QC5
	12/15/2022	5.000	9,870,000	12/15/2018	100	650035QD3
	12/15/2023	5.000	10,365,000	12/15/2018	100	650035QE1
	12/15/2024*	5.000	10,885,000	12/15/2018	100	650035QF8
	12/15/2025*	5.000	11,420,000	12/15/2018	100	650035QF8
	12/15/2026*	5.000	12,005,000	12/15/2018	100	650035QF8
	12/15/2027*	5.000	12,610,000	12/15/2018	100	650035QF8
Term Bond Due	12/15/2028	5.000	13,240,000	12/15/2018	100	650035QF8

* Sinking fund payment.

[†] Copyright, American Bankers Association. CUSIP numbers have been assigned by CUSIP Global Services and are provided solely for convenience. The Corporation is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Refunded Bonds or as indicated above. The CUSIP numbers have been and are subject to change after the original issuance of the Refunded Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	Redemption Price	CUSIP Number†
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2009B-1						
Serial Bonds	03/15/2018	4.000%	$ 3,160,000	Maturity	n/a	650035RA8
	03/15/2018	5.000	2,095,000	Maturity	n/a	650035RB6
	03/15/2019	4.000	2,310,000	Maturity	n/a	650035RC4
	03/15/2019	5.000	2,665,000	Maturity	n/a	650035RD2
	03/15/2020	4.000	12,185,000	03/15/2019	100%	650035RE0
	03/15/2021	4.250	12,680,000	03/15/2019	100	650035RF7
	03/15/2022	4.375	13,215,000	03/15/2019	100	650035RG5
	03/15/2023	4.500	13,790,000	03/15/2019	100	650035RH3
	03/15/2024*	5.000	14,410,000	03/15/2019	100	650035RJ9
	03/15/2025*	5.000	15,130,000	03/15/2019	100	650035RJ9
	03/15/2026*	5.000	15,885,000	03/15/2019	100	650035RJ9
	03/15/2027*	5.000	16,680,000	03/15/2019	100	650035RJ9
Term Bond Due	03/15/2028	5.000	17,510,000	03/15/2019	100	650035RJ9
	03/15/2029*	5.000	11,990,000	03/15/2019	100	650035RK6
	03/15/2030*	5.000	12,590,000	03/15/2019	100	650035RK6
	03/15/2031*	5.000	13,220,000	03/15/2019	100	650035RK6
	03/15/2032*	5.000	13,880,000	03/15/2019	100	650035RK6
	03/15/2033*	5.000	14,575,000	03/15/2019	100	650035RK6
	03/15/2034*	5.000	15,305,000	03/15/2019	100	650035RK6
	03/15/2035*	5.000	16,065,000	03/15/2019	100	650035RK6
Term Bond Due	03/15/2036	5.000	16,870,000	03/15/2019	100	650035RK6
	03/15/2037*	5.250	17,715,000	03/15/2019	100	650035RL4
Term Bond Due	03/15/2038	5.250	18,645,000	03/15/2019	100	650035RL4
New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2007C						
Serial Bonds	09/15/2017	4.000%	$ 10,000	04/24/2017	100%	649870HE5
	09/15/2018	5.000	1,060,000	04/24/2017	100	649870HF2
	09/15/2019	5.000	2,165,000	04/24/2017	100	649870HG0
	03/15/2020	5.000	2,620,000	04/24/2017	100	649870HH8
	09/15/2020	5.000	4,965,000	04/24/2017	100	649870HJ4
	03/15/2021	5.000	2,755,000	04/24/2017	100	649870HK1
	09/15/2021	5.000	3,985,000	04/24/2017	100	649870HL9

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	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	Redemption Price	CUSIP Number†
New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2009A						
Serial Bonds	03/15/2018	4.000%	$ 2,250,000	Maturity	n/a	649870KV3
	03/15/2019	4.000	2,340,000	Maturity	n/a	649870KW1
	03/15/2020	3.500	2,430,000	03/15/2019	100%	649870KX9
	03/15/2021	3.750	2,515,000	03/15/2019	100	649870KY7
	03/15/2022	3.750	640,000	03/15/2019	100	649870KZ4
	03/15/2022	5.000	1,970,000	03/15/2019	100	649870LL4
	03/15/2023	4.000	2,735,000	03/15/2019	100	649870LA8
	03/15/2024	4.000	2,845,000	03/15/2019	100	649870LB6
	03/15/2025	4.125	660,000	03/15/2019	100	649870LC4
	03/15/2025	5.000	2,295,000	03/15/2019	100	649870LM2
	03/15/2026	5.000	3,100,000	03/15/2019	100	649870LD2
	03/15/2027	5.000	3,255,000	03/15/2019	100	649870LE0
	03/15/2028	5.000	3,415,000	03/15/2019	100	649870LF7
	03/15/2029	4.500	1,125,000	03/15/2019	100	649870LG5
	03/15/2029	5.000	2,460,000	03/15/2019	100	649870LN0
	03/15/2030	4.500	1,750,000	03/15/2019	100	649870LK6
	03/15/2030*	5.000	2,010,000	03/15/2019	100	649870LH3
	09/15/2030*	5.000	1,990,000	03/15/2019	100	649870LH3
	03/15/2031*	5.000	2,000,000	03/15/2019	100	649870LH3
	09/15/2031*	5.000	2,095,000	03/15/2019	100	649870LH3
	03/15/2032*	5.000	2,095,000	03/15/2019	100	649870LH3
	09/15/2032*	5.000	2,205,000	03/15/2019	100	649870LH3
	03/15/2033*	5.000	2,200,000	03/15/2019	100	649870LH3
	09/15/2033*	5.000	2,310,000	03/15/2019	100	649870LH3
Term Bond Due	03/15/2034	5.000	2,315,000	03/15/2019	100	649870LH3
	09/15/2034*	5.000	2,430,000	03/15/2019	100	649870LJ9
	03/15/2035*	5.000	2,430,000	03/15/2019	100	649870LJ9
	09/15/2035*	5.000	2,550,000	03/15/2019	100	649870LJ9
	03/15/2036*	5.000	2,555,000	03/15/2019	100	649870LJ9
	09/15/2036*	5.000	2,680,000	03/15/2019	100	649870LJ9
	03/15/2037*	5.000	2,685,000	03/15/2019	100	649870LJ9
	09/15/2037*	5.000	2,815,000	03/15/2019	100	649870LJ9
	03/15/2038*	5.000	2,820,000	03/15/2019	100	649870LJ9
	09/15/2038*	5.000	2,965,000	03/15/2019	100	649870LJ9
Term Bond Due	03/15/2039	5.000	2,960,000	03/15/2019	100	649870LJ9

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