NEW ISSUE — BOOK-ENTRY ONLY

$1,654,930,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS (GENERAL PURPOSE), SERIES 2016A

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 2016A (the "Series 2016 Bonds") are special obligations of the New York State Urban Development Corporation (the "Corporation"), doing business as Empire State Development. The Series 2016 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 2016 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 2016 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2016 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 2016 Bonds. The Corporation has no taxing power.

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

The Series 2016 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 2016 Bonds, payments of principal or redemption price of and interest on the Series 2016 Bonds will be made by The Bank of New York Mellon, as Trustee and Paying Agent, to Cede & Co.

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

In the opinions of Hawkins Delafield & Wood LLP and 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 2016 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 2016 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 are of the opinion that under existing statutes, interest on the Series 2016 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "PART 12 — TAX MATTERS" herein regarding certain other tax considerations.

The Series 2016 Bonds are offered, when, as and if issued and delivered to the Underwriters. The Series 2016 Bonds are subject to approval of legality by Hawkins Delafield & Wood LLP, New York, New York, and Law Offices of Joseph C. Reid, P.A., New York, New York, and to certain other conditions. Certain legal matters are subject to the approval of Barclay Damon, LLP, Albany, New York and Brown Hutchinson LLP, Rochester, New York, Co-Counsels to the Underwriters. It is expected that the Series 2016 Bonds will be delivered in definitive form to The Depository Trust Company on or about March 17, 2016.

BofA Merrill Lynch	**Citigroup**	**Ramirez & Co., Inc.**
Barclays	**Goldman, Sachs & Co.**	**Jefferies**
J.P. Morgan	**Loop Capital Markets LLC**	**Morgan Stanley**
RBC Capital Markets	**Rice Financial Products Company**	**Siebert Brandford Shank & Co., L.L.C.**
	Wells Fargo Securities	
Blaylock Beal Van, LLC	**BNY Mellon Capital Markets, LLC**	**Fidelity Capital Markets**
HilltopSecurities	**Janney Montgomery Scott LLC**	**KeyBanc Capital Markets Inc.**
Lebenthal & Co., LLC	**M&T Securities, Inc.**	**Mesirow Financial, Inc.**
Oppenheimer & Co.	**Piper Jaffray & Co.**	**Prager & Co., LLC**
Raymond James	**Roosevelt & Cross, Incorporated**	**Stifel**
TD Securities	**The Williams Capital Group, L.P.**	**US Bancorp Investments, Inc.**

March 9, 2016

$1,654,930,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE), SERIES 2016A

Maturity Schedule

Maturity March 15	Amount	Interest Rate	Price or Yield	CUSIP Number†	Maturity March 15	Amount	Interest Rate	Price or Yield	CUSIP Number†
2019	$ 685,000	3.000%	0.920%	650035T40	2026	$ 3,745,000	4.000%	2.250%	650035W38
2019	57,955,000	5.000	0.920	650035V54	2026	166,220,000	5.000	2.250	650035W95
2020	1,120,000	3.000	1.130	650035T57	2027	180,205,000	5.000	2.360*	650035T99
2020	79,585,000	5.000	1.130	650035V62	2028	130,975,000	5.000	2.460*	650035U22
2021	5,110,000	2.000	1.330	650035T65	2029	25,535,000	5.000	2.520*	650035U30
2021	129,615,000	5.000	1.330	650035W46	2030	26,815,000	5.000	2.600*	650035U48
2022	1,120,000	4.000	1.560	650035V70	2031	28,160,000	5.000	2.670*	650035U55
2022	140,215,000	5.000	1.560	650035W53	2032	29,595,000	5.000	2.750*	650035U63
2023	1,245,000	4.000	1.780	650035V88	2033	13,625,000	3.250	100	650035U71
2023	147,145,000	5.000	1.780	650035W61	2033	17,455,000	5.000	2.800*	650035X29
2024	3,555,000	3.000	1.970	650035T73	2034	32,425,000	5.000	2.850*	650035U89
2024	1,000,000	4.000	1.970	650035V96	2035	34,045,000	5.000	2.890*	650035U97
2024	151,260,000	5.000	1.970	650035W79	2036	35,775,000	4.000	3.240*	650035V21
2025	2,995,000	4.000	2.130	650035W20	2037	37,215,000	4.000	3.290*	650035V39
2025	160,525,000	5.000	2.130	650035W87	2038	8,290,000	3.500	100	650035V47
2026	1,720,000	3.000	2.250	650035T81					

† CUSIP numbers herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of McGraw-Hill Financial, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Corporation and are included solely for the convenience of the holders of the Series 2016 Bonds. Neither the Corporation nor the State is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016 Bonds.

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

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information 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 Corporation or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITERS 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.

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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 2016 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

State Personal Income Tax Revenue Bond Financing Program	Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the State Commissioner of Taxation and Finance (the "Commissioner") and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes the New York State Urban Development Corporation (the "Corporation"), the Dormitory Authority of the State of New York ("DASNY"), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency ("HFA") and the New York State Thruway Authority (the "Thruway Authority" and collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain Authorized Purposes (as hereinafter defined). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Budget pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Corporation. State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured solely by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon, which together constitute the pledged property under the applicable general resolution.
Purpose of Issue	The Series 2016 Bonds are being issued for the purpose of refunding certain outstanding State Personal Income Tax Revenue Bonds and other State-supported debt previously issued by the Corporation and other Authorized Issuers. In addition, proceeds of the Series 2016 Bonds will be used to pay all or part of the cost of issuance of the Series 2016 Bonds. See "PART 6 — PLAN OF REFUNDING" for a more complete description of the expected application of proceeds of the Series 2016 Bonds. See also, "APPENDIX F — REFUNDED BONDS."

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 2013-14 through 2015-16 are as follows:

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Revenue Bond Tax Fund Receipts
	($ in billions)		
2013-14	$43.0	$33.4	$10.7
2014-15	43.7	34.9	10.9
2015-16*	47.1	36.7	11.8

*As estimated in the 30-day amendments to the FY 2017 Executive Budget.

The Series 2016 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 2016 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 $31.7 billion were outstanding as of January 31, 2016) 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 State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal**

Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts *(continued)*	**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 2016 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2016 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 2016 Bonds. The Corporation has no taxing power.** **The Series 2016 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 2016 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 2015-16. 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 $11.9 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 3.9 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2016 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. 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 YORK STATE PERSONAL

Additional Bonds and Debt Service Coverage ***(continued)***	INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND — Projected Debt Service Coverage." As of January 31, 2016, approximately $31.7 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 2015-16. 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 Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), all Authorized Issuers, the State and each applicable trustee, including the Trustee, have entered into a Master Continuing Disclosure Agreement. See "PART 18 — CONTINUING DISCLOSURE" and "APPENDIX D — EXECUTED COPY OF THE MASTER CONTINUING DISCLOSURE AGREEMENT."

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OFFICIAL STATEMENT

Relating to

$1,654,930,000
NEW YORK STATE URBAN DEVELOPMENT CORPORATION
STATE PERSONAL INCOME TAX REVENUE BONDS
(GENERAL PURPOSE), SERIES 2016A

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 2016A (the "Series 2016 Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2016 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 2016 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law ("Tax Law") which, pursuant to Section 171-a of the Tax Law (the "New York State Personal Income Tax Receipts") 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 2016 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 2016 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 $1,654,930,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2016A, adopted by the

Corporation on March 1, 2016 (the "Series 2016 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 2016A and Series 2016B (Federally Taxable), adopted by the Corporation on March 1, 2016 (the "Series 2016 Bond Financing Committee Resolution", and together with the General Resolution and the Series 2016 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 2016 Bonds, being herein referred to as the "Bonds").

The Series 2016 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 2016 Bonds and all other State Personal Income Tax Revenue Bonds which have heretofore been issued or may be issued by an Authorized Issuer are secured by a pledge of: (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under the applicable general resolution and the investment earnings thereon ((i) and (ii) being collectively referred to herein as the "Pledged Property" with respect to each such Authorized Issuer, including the Corporation). The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds adopted by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are required to be equal to the amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

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

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State Legislature. As of January 31, 2016, approximately $31.7 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 2016 Bonds" and "— Additional Bonds."

The Series 2016 Bonds are being issued for the purpose of 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 2016 Bonds, see "PART 6 — PLAN OF REFUNDING" herein. **The Series 2016 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 2016 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 2016 Bonds are not secured by the Projects or any interest therein.**

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

The Series 2016 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2016 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 2016 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 2016 Bonds

The Series 2016 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 2016 Bonds is included as Appendix C hereto. The Series 2016 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 2016 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 $11.9 billion are available to pay financing agreement payments on a pro-forma basis, which amount represents approximately 3.9 times the maximum annual Debt Service for all outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2016 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 10 — THE CORPORATION" for a further description of the Corporation.

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

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts 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.

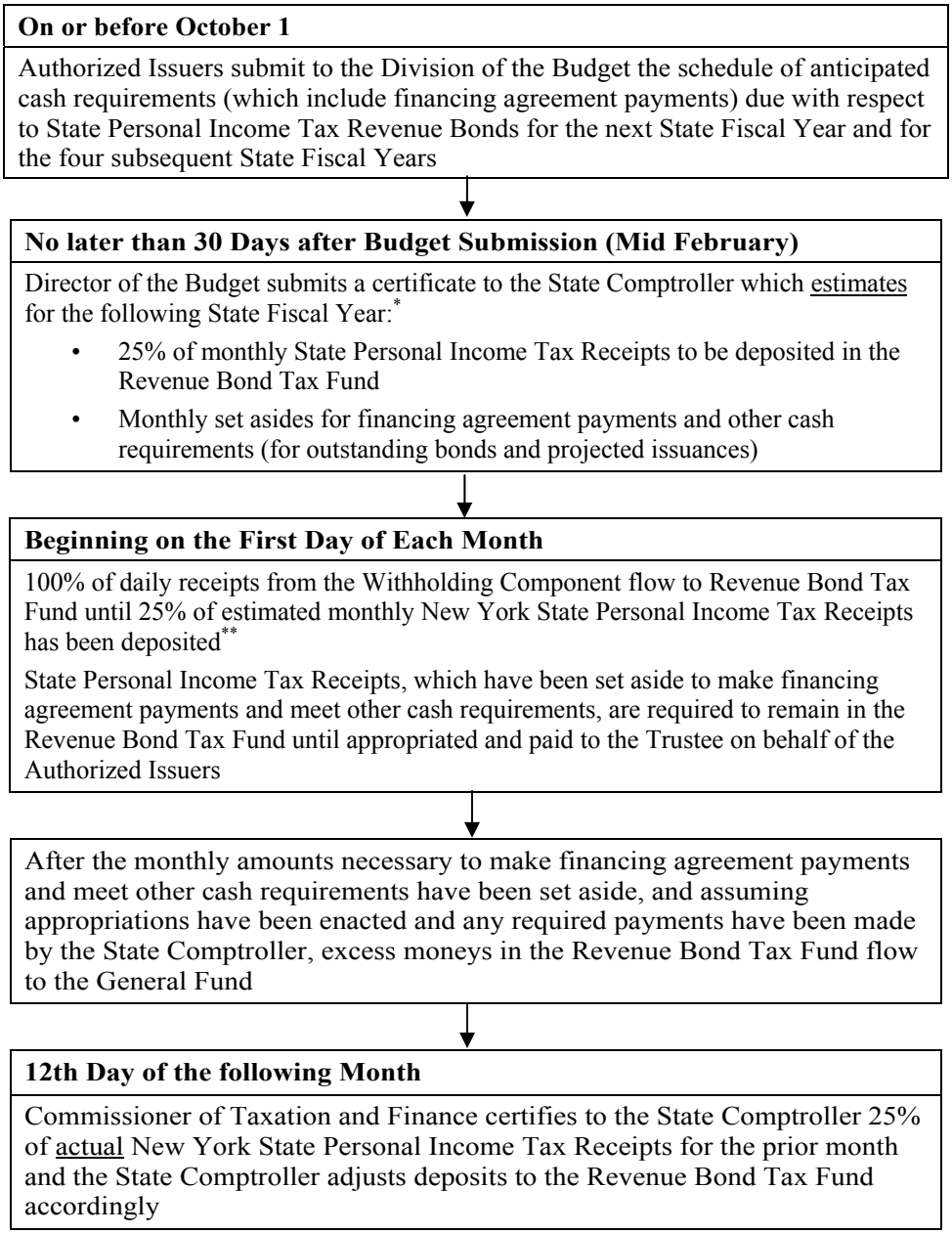
The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders 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.

Flow of Revenue Bond Tax Fund Receipts

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



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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

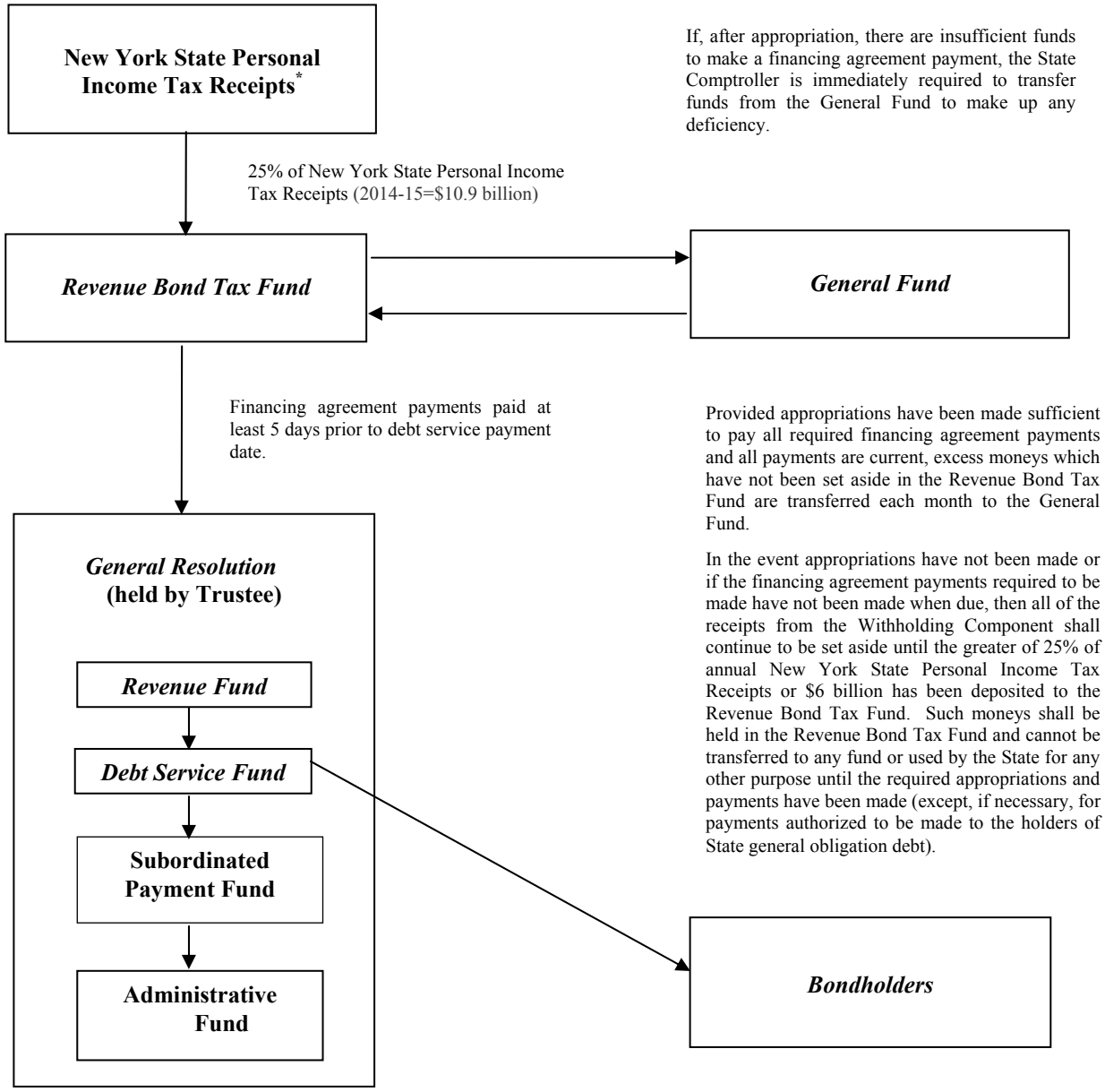
holders of State general obligation debt) other than to the Corporation and other Authorized Issuers (which are paid to the applicable trustees on behalf of the Corporation and the other Authorized Issuers), unless two requirements are met. First, all payments as certified by the Director of the Budget 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 (enacted and effective in 2006); Earned Income Tax Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and Empire Zone Credits.

Personal Income Tax Rates

Taxable income equals New York adjusted gross income ("AGI") less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 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 years 2015 through 2017 and for tax years after 2017 which revert to the rate schedule in effect for the 2008 tax year except that the tax brackets are permanently indexed for cost of living adjustments starting in tax year 2013.

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New York State Personal Income Tax Rates for Tax Years 2015 Through 2017*

Married Filing Jointly and Qualified Widow(er)	Tax±
Taxable Income:	
Not over $16,950	4% of taxable income
Over $16,950 but not over $23,300	$678 plus 4.50% of excess over $16,950
Over $23,300 but not over $27,550	$964 plus 5.25% of excess over $23,300
Over $27,550 but not over $42,450	$1,187 plus 5.90% of excess over $27,550
Over $42,450 but not over $159,350	$2,066 plus 6.45% of excess over $42,450
Over $159,350 but not over $318,750	$9,606 plus 6.65% of excess over $159,350
Over $318,750 but not over $2,125,450	$20,206 plus 6.85% of excess over $318,750
Over $2,125,450	$143,965 plus 8.82% of excess over $2,125,450
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,400	4% of taxable income
Over $8,400 but not over $11,600	$336 plus 4.50% of excess over $8,400
Over $11,600 but not over $13,750	$480 plus 5.25% of excess over $11,600
Over $13,750 but not over $21,150	$593 plus 5.90% of excess over $13,750
Over $21,150 but not over $79,600	$1,029 plus 6.45% of excess over $21,150
Over $79,600 but not over $212,500	$4,800 plus 6.65% of excess over $79,600
Over $212,500 but not over $1,062,650	$13,637 plus 6.85% of excess over $212,500
Over $1,062,650	$71,873 plus 8.82% of excess over $1,062,650
Head of Household	
Taxable Income:	
Not over $12,700	4% of taxable income
Over $12,700 but not over $17,450	$508 plus 4.50% of excess over $12,700
Over $17,450 but not over $20,650	$722 plus 5.25% of excess over $17,450
Over $20,650 but not over $31,800	$890 plus 5.90% of excess over $20,650
Over $31,800 but not over $106,200	$1,548 plus 6.45% of excess over $31,800
Over $106,200 but not over $265,600	$6,346 plus 6.65% of excess over $106,200
Over $265,600 but not over $1,594,050	$16,947 plus 6.85% of excess over $265,600
Over $1,594,050	$107,945 plus 8.82% of excess over $1,594,050

* Tax year 2015 marks the third year of tax bracket inflation adjustment, based originally on tax year 2012 brackets. Income and tax amounts for tax years 2016 and beyond may change due to cost of living adjustments.

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that, for example, when a taxpayer's AGI exceeds $2,175,450 for married filing jointly taxpayers in 2015, 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*

Married Filing Jointly	Tax±
Taxable Income:	
Not over $16,950	4% of taxable income
Over $16,950 but not over $23,300	$678 plus 4.50% of excess over $16,950
Over $23,300 but not over $27,550	$964 plus 5.25% of excess over $23,300
Over $27,550 but not over $42,450	$1,187 plus 5.90% of excess over $27,550
Over $42,450	$2,066 plus 6.85% of excess over $42,450
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,400	4% of taxable income
Over $8,400 but not over $11,600	$336 plus 4.50% of excess over $8,400
Over $11,600 but not over $13,750	$480 plus 5.25% of excess over $11,600
Over $13,750 but not over $21,150	$593 plus 5.90% of excess over $13,750
Over $21,150	$1,029 plus 6.85% of excess over $21,150
Head of Household	
Taxable Income:	
Not over $12,700	4% of taxable income
Over $12,700 but not over $17,450	$508 plus 4.50% of excess over $12,700
Over $17,450 but not over $20,650	$722 plus 5.25% of excess over $17,450
Over $20,650 but not over $31,800	$890 plus 5.90% of excess over $20,650
Over $31,800	$1,548 plus 6.85% of excess over $31,800

* Tax year 2015 marks the third year of tax bracket inflation adjustment, based originally on tax year 2012 brackets. Income and tax amounts for tax years from 2016 and 2017 may change due to cost of living adjustments.

± A supplemental income tax recaptures the savings due to graduated marginal tax rates such that when a taxpayer's AGI exceeds $156,200 plus a cost of living adjustment covering the period from 2015 through 2017, 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").

In State Fiscal Year 2014-15, New York State Personal Income Tax Receipts were approximately $43.7 billion and accounted for approximately 62 percent of State tax receipts in all State Funds. The 30-day amendments to the 2016-17 Executive Budget Financial Plan estimate New York State Personal Income Tax Receipts at $47.1 billion for State Fiscal Year 2015-16.

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 2005-06 through 2016-17. 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 Revenue Bond Tax Fund Receipts
State Fiscal Years 2005-06 through 2016-17

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/ State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts*
2005-06	$27,599,721,585	$24,760,667,777	89.7%	$6,899,930,396
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 (est.)	47,094,000,000*	36,706,000,000	77.9	11,773,500,000*
2016-17 (proj.)	49,960,000,000*	38,525,000,000	77.1	12,490,000,000*

* 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 2014-15, New York State Personal Income Tax Receipts totaled approximately $43.7 billion. The 30-day amendments to the 2016-17 Executive Budget Financial Plan estimate that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 7.7% to $47.1 billion in State Fiscal Year 2015-16. In State Fiscal Year 2016-17, New York State Personal Income Tax Receipts are projected to total $50 billion, reflecting a 6.1% increase. This projection includes an $18 million increase attributable to legislation proposed with the 30-day amendments to the 2016-17 Executive Budget to permanently extend tax shelter reporting requirement provisions.

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 1964-65, 1971-72, 1977-78, 1990-91, 2002-03, and 2009-10.

For a more detailed discussion of the effects of the recent global financial downturn on the State's economy, 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 2007 through 2016.

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

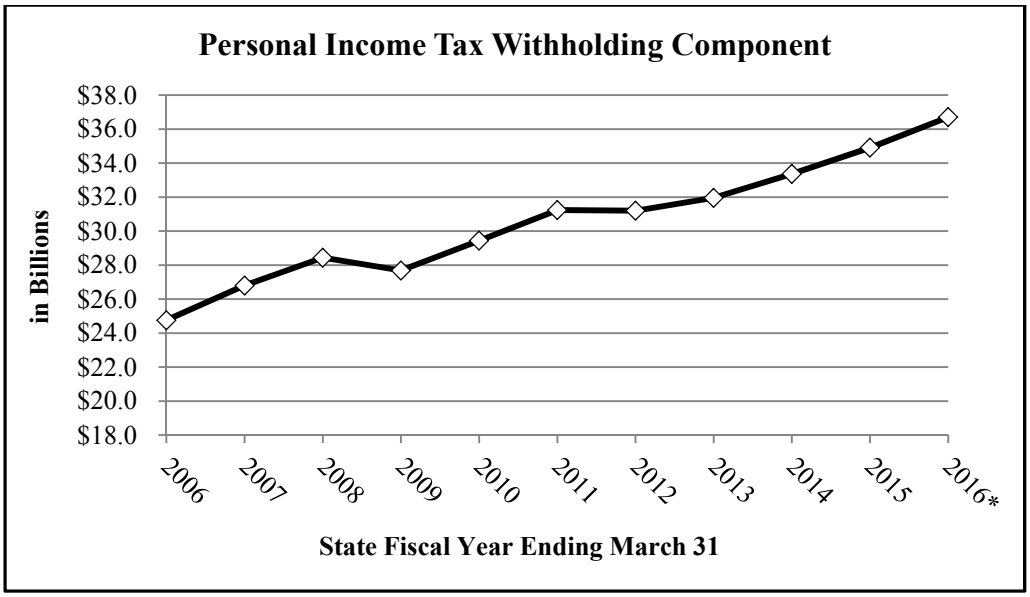
Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
	($ in millions)			
2007	$725,245	14.6%	$35,215	19.0%
2008	662,053	(8.7)	31,621	(10.2)
2009	596,471	(9.9)	31,162	(1.5)
2010	638,855	7.1	34,834	11.8
2011	657,298	2.9	36,296	4.2
2012	714,698	8.7	38,017	4.7
2013	714,046	(0.1)	37,331	(1.8)
2014 (est.)	775,196	8.6	41,275	10.6
2015 (est.)	804,718	3.8	42,632	3.3
2016 (proj.)	841,825	4.6	44,532	4.5

* 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 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 2008 and 2009. The 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 2009 to 2011. In December 2011, tax reform legislation was enacted for the period from 2012 through 2014, lowering tax rates for millions of taxpayers. These rates were subsequently extended through 2017 in the 2013-14 Enacted Budget.

The 30-day amendments to the 2016-17 Executive Budget Financial Plan estimate that tax year 2015 personal income tax liability totaled $42.6 billion, increasing 3.3 percent over the prior year. Personal income tax liability is projected to increase by 4.5 percent to total $44.5 billion in tax year 2016. This projection includes $556 million in total tax cuts attributable to legislation proposed with the 30-day amendments to the 2016-17 Executive Budget, such as new credits for small businesses, certain primary and secondary education expenses, and certain Thruway tolls.

The following graph shows the history of withholding receipts since State Fiscal Year 2005-06. 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 2005-06, 2009-10, 2010-11, and part of 2011-12. Withholding receipts for State Fiscal Year 2015-16 are estimated to be $1.8 billion (5.2 percent) higher compared to State Fiscal Year 2014-15.



* 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 2016 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	$11,889,100
Maximum Calculated Debt Service	$ 3,058,065
Debt Service Coverage	3.9x

Projected Debt Service Coverage

Based upon the assumptions used in preparing the following table (also included in the Update to Annual Information Statement of the State of New York dated March 1, 2016), including assumed average State Personal Income Tax Revenue Bond issuances of approximately $3.8 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 3.9 times in State Fiscal Year 2015-16 to 3.2 times in State Fiscal Year 2018-19.

Projected Debt Service Coverage on State Personal Income Tax Revenue Bonds
State Fiscal Years 2015-16 Through 2018-19
(Dollars in Thousands)

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Projected Revenue Bond Tax Fund Receipts	$11,773,464	$12,490,232	$12,935,732	$13,104,788
Projected New State Personal Income Tax Revenue Bond Issuances	2,194,475	4,138,598	4,431,412	4,490,217
Projected Total State Personal Income Tax Revenue Bonds Outstanding	30,656,480	33,238,317	35,949,598	38,528,853
Projected Maximum Annual Debt Service	3,042,630	3,381,146	3,725,774	4,126,727
Projected Debt Service Coverage	3.9x	3.7x	3.5x	3.2x

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 2016 BONDS

General

The Series 2016 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, 2016 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 2016 Bonds will be issued only as fully registered bonds in the principal denomination of $5,000 or any integral multiple thereof.

The Series 2016 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 2016 Bonds. Principal or redemption price of and interest on the Series 2016 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 the Series 2016 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 2016 Bonds

The Series 2016 Bonds maturing on or before March 15, 2026 are not subject to redemption at the option of the Corporation.

The Series 2016 Bonds maturing on or after March 15, 2027 are subject to redemption at the option of the Corporation at any time on or after March 15, 2026, 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.

Selection of Series 2016 Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2016 Bonds at the option of the Corporation, the Corporation will select the maturities (and interest rates, if applicable) of the Series 2016 Bonds to be redeemed.

If less than all of the Series 2016 Bonds of a maturity bearing the same interest rate are to be redeemed, the Trustee shall assign to each Outstanding Series 2016 Bond of such maturity and interest rate 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 2016 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 2016 Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2016 Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2016 Bonds to be redeemed.

Notice of Redemption

Any notice of optional redemption of the Series 2016 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2016 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. Under the Resolutions, the Trustee is required to provide 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.

When the Trustee shall have received notice from the Corporation that Series 2016 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 2016 Bonds, which notice shall specify the Series 2016 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 2016 Bonds of any like maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2016 Bonds to be redeemed, and in the case of Series 2016 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 the Series 2016 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 2016 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 2016 Bonds or portions of Series 2016 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 2016 Bonds, see "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION."

PART 6 — PLAN OF REFUNDING

The Series 2016 Bonds are being issued for the purpose of refunding certain outstanding State Personal Income Tax Revenue Bonds and other State-supported debt previously issued by the Corporation, HFA and the Thruway Authority, as listed in "APPENDIX F — REFUNDED BONDS" hereto (collectively, the "Refunded Bonds").

Simultaneously with the issuance and delivery of the Series 2016 Bonds, a portion of the proceeds of the Series 2016 Bonds will be deposited in escrows 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, will be used to acquire direct non-callable obligations of the United States of America (the "Defeasance Securities"), the maturing principal and interest on which will be sufficient, together with any uninvested cash, to pay the redemption price of and interest due on the applicable Refunded Bonds to their respective redemption dates. See "PART 19 — VERIFICATION OF MATHEMATICAL COMPUTATIONS." At or

prior to the making of such deposits, the Corporation, HFA and the Thruway Authority, 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 redemption price of and interest coming due on the applicable Refunded Bonds to their respective redemption dates.

In the opinion of defeasance counsel to the Corporation, HFA and the Thruway Authority, respectively, upon (a) the deposit with the applicable Escrow Agent of the proceeds of the Series 2016 Bonds 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 7 — BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters take responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2016 Bonds. References to the Series 2016 Bonds under this caption "Book-Entry Only System" shall mean all Series 2016 Bonds, the beneficial interests in which are owned in the United States. The Series 2016 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 2016 Bond certificate will be issued for the Series 2016 Bonds of each maturity (and interest rate, if applicable), each in the aggregate principal amount of such maturity (and interest rate, if applicable), and will be deposited with DTC.

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

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the related Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the Series 2016 Bonds, giving any notice permitted or required to be given to registered owners under the Resolutions, registering the transfer of the Series 2016 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 2016 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 2016 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 the Series 2016 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 2016 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) of the Series 2016 Bonds. In that event, Series 2016 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 2016 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 2016 BONDS.

So long as Cede & Co. is the registered owner of the Series 2016 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the Series 2016 Bonds (other than under the caption "PART 12 — TAX MATTERS" and "PART 18 — CONTINUING DISCLOSURE" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2016 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 2016 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 2016 BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2016 BONDHOLDERS UNDER THE RESOLUTIONS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2016 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 2016 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 2016 Bonds, for the payment of debt service on outstanding State Personal Income Tax Revenue Bonds and the aggregate total during each such period.

	Series 2016 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)(4)]**
2016	-	-	-	$ 2,812,662,017	$ 2,812,662,017
2017	-	$ 80,806,430	$ 80,806,430	2,977,258,960	3,058,065,390
2018	-	81,257,863	81,257,863	2,911,605,959	2,992,863,822
2019	$ 58,640,000	81,257,863	139,897,863	2,854,105,579	2,994,003,442
2020	80,705,000	78,339,563	159,044,563	2,870,284,487	3,029,329,050
2021	134,725,000	74,326,713	209,051,713	2,795,351,697	3,004,403,410
2022	141,335,000	67,743,763	209,078,763	2,645,130,865	2,854,209,628
2023	148,390,000	60,688,213	209,078,213	2,573,517,943	2,782,596,155
2024	155,815,000	53,281,163	209,096,163	2,424,440,170	2,633,536,332
2025	163,520,000	45,571,513	209,091,513	2,294,584,004	2,503,675,517
2026	171,685,000	37,425,463	209,110,463	2,229,678,042	2,438,788,504
2027	180,205,000	28,913,063	209,118,063	2,077,240,294	2,286,358,357
2028	130,975,000	19,902,813	150,877,813	2,117,833,705	2,268,711,518
2029	25,535,000	13,354,063	38,889,063	1,878,697,471	1,917,586,533
2030	26,815,000	12,077,313	38,892,313	1,697,550,456	1,736,442,769
2031	28,160,000	10,736,563	38,896,563	1,599,747,468	1,638,644,030
2032	29,595,000	9,328,563	38,923,563	1,475,202,674	1,514,126,236
2033	31,080,000	7,848,813	38,928,813	1,301,848,293	1,340,777,106
2034	32,425,000	6,533,250	38,958,250	1,118,384,226	1,157,342,476
2035	34,045,000	4,912,000	38,957,000	1,032,107,202	1,071,064,202
2036	35,775,000	3,209,750	38,984,750	877,255,352	916,240,102
2037	37,215,000	1,778,750	38,993,750	768,463,609	807,457,359
2038	8,290,000	290,150	8,580,150	713,748,225	722,328,375
2039	-	-	-	634,865,758	634,865,758
2040	-	-	-	502,177,477	502,177,477
2041	-	-	-	398,530,438	398,530,438
2042	-	-	-	309,763,231	309,763,231
2043	-	-	-	205,446,150	205,446,150
2044	-	-	-	134,025,250	134,025,250
2045	-	-	-	69,630,200	69,630,200
Total[(4)]	$1,654,930,000	$ 779,583,630	$2,434,513,630	$ 48,301,137,201	$ 50,735,650,831

(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, HFA and the Thruway Authority that will be refunded by the Series 2016 Bonds.

(4) Totals may not add due to rounding.

PART 9 — ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Series 2016 Bonds	$1,654,930,000.00
Original Issue Premium	328,833,506.95
Other Available Funds	17,715,949.38
Total Sources	$2,001,479,456.33
Uses of Funds	
Deposits to Escrow Funds	$1,979,343,041.16
Costs of Issuance*	14,617,192.81
Underwriters' Discount	7,519,222.36
Total Uses	$2,001,479,456.33

* Includes New York State Bond Issuance Charge.

PART 10— THE CORPORATION

General

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

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

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

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

Economic Development Programs

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

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

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

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

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

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

Since January 1, 1997, over 9,300 projects have been approved, totaling more than $8.327 billion in grants and $287.6 million in loans. More than 458,000 jobs have been retained and 217,000 jobs have been created by these projects.

Through its Finance Division, the Corporation has issued approximately $17.4 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

Shirin Emami, Acting Superintendent, New York State Department of Financial Services

Senior Officers

Howard Zemsky, President and Chief Executive Officer

Vacant, 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 2016 Bonds.

PART 11 — AGREEMENT OF THE STATE

The UDC Act provides that the State pledges and agrees with the holders of the Corporation's notes and bonds that the State will not limit or alter the rights vested in the Corporation to, among other things, fulfill the terms of any agreements made with the holders of the Corporation's notes and bonds or in any way impair the rights and remedies of the holders of such notes and bonds until such notes and bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such

notes and bonds are fully met and discharged. The General Resolution includes such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolution would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 12 — TAX MATTERS

General

In the opinions of Hawkins Delafield & Wood LLP and 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 2016 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 2016 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 Transportation ("DOT"), the New York State Thruway Authority ("NYSTA"), the New York State Department of Corrections and Community Supervision ("DOCCS"), 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 Division of State Police ("DSP"), the New York State Division of Military and Naval Affairs ("DMNA") and others in connection with the Series 2016 Bonds, and have assumed compliance by, as applicable, the Corporation, DOT, NYSTA, DOCCS, OGS, HFA, AHC, HHAC, HTFC, DSP and DMNA with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2016 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 2016 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 2016 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 2016 Bonds, or the exemption from personal income taxes of interest on the Series 2016 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 2016 Bonds in order that interest on the Series 2016 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 2016 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 2016 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, DOT, NYSTA, DOCCS, OGS, HFA, AHC, HHAC, HTFC, DSP and DMNA have covenanted to comply with

certain applicable requirements of the Code to assure the exclusion of interest on the Series 2016 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 2016 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2016 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 2016 Bonds.

Prospective owners of the Series 2016 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 2016 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2016 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 2016 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) on tax-exempt obligations, including the Series 2016 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 2016 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 2016 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 2016 Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2016 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 2016 Bonds. For example, budgets proposed by the Obama Administration from time to time recommended a 28% limitation on certain itemized deductions and other tax benefits including tax-exempt interest. The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such tax-exempt bond, regardless of issue date.

Prospective purchasers of the Series 2016 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 2016 Bonds is set forth in Appendix E hereto.

PART 13 — LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Corporation, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2016 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2016 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 2016 Bonds, the General Resolution or the Financing Agreement. See "APPENDIX A" under the heading "Litigation" for a description of certain litigation relating to the State generally.

PART 14 — CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Series 2016 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, and 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 2016 Bonds. The proposed form of such opinions is included in this Official Statement as Appendix E.

Certain legal matters will be passed upon for the Underwriters by their co-counsels, Barclay Damon, LLP, Albany, New York, New York and Brown Hutchinson LLP, Rochester, New York.

PART 15 — UNDERWRITING

The Underwriters of the Series 2016 Bonds, acting through Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative, have jointly and severally agreed, subject to the terms of a Contract of Purchase with the Corporation, to purchase the Series 2016 Bonds from the Corporation. The Underwriters propose initially to offer the Series 2016 Bonds at the initial offering prices set forth on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2016 Bonds to certain dealers (including dealers depositing such Series 2016 Bonds into investment trusts) at prices lower than such initial offering prices. The Contract of Purchase provides, in part, that the Underwriters, subject to certain conditions, will purchase from the Corporation $1,654,930,000 aggregate principal amount of Series 2016 Bonds at an

aggregate purchase price of $1,976,244,284.59 (which price reflects an Underwriters' discount of $7,519,222.36 and an original issue premium of $328,833,506.95).

The following paragraphs have been provided by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform various investment banking services for the Corporation, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Corporation. In addition, to the extent an Underwriter or an affiliate thereof holds any of the Refunded Bonds, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2016 Bonds contemplated herein in connection with the refunding of the Refunded Bonds.

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

PART 16 — LEGALITY OF INVESTMENT

The UDC Act provides that the Series 2016 Bonds constitute securities in which all public officers and bodies of the State and all its municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees, and other fiduciaries, and all other persons whatsoever, who are now or may hereafter be authorized to invest in bonds or other obligations of the State, to the extent that the legality of their investments is governed by the laws of the State, may properly and legally invest funds, including capital, in their control or belonging to them.

PART 17 — RATINGS

The Series 2016 Bonds are rated "AAA" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("Standard & Poor's") and "AA+" by Fitch Ratings ("Fitch"). 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 2016 Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

PART 18 — CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2016 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 2016 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 Continuing 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 2016 Bonds, with the fiscal year ending March 31, 2016. 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 2016 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 2016 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 2016 Bonds, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders and beneficial owners similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in Rule 15c2-12.

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

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

PART 19 — VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations was independently verified by Samuel Klein and Company, Certified Public Accountants (the "Verification Agent"). These computations, which were provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated, indicate (i) the sufficiency of the receipts from the Defeasance Securities, together with an initial cash deposit, to pay to the redemption price of and interest on the Refunded Bonds to their respective redemption dates, and (ii) the yields to be considered in determining that the Series 2016 Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code. The Verification Agent relied upon assumptions and information supplied by the Underwriters 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 20 — 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 18 — CONTINUING DISCLOSURE" (the first sentence of the fourth paragraph only), and (b) in the "Annual Information Statement of the State of New York", including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading, provided, however, that while the information and statements contained under such headings and in Appendix A which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, further, however, that with regard to the statements and information in Appendix A hereto under the caption "Litigation", such statements

and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2016 Bonds.

Public Resources Advisory Group has acted as financial advisor to the Division of the Budget in connection with the sale and issuance of the Series 2016 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 2016 Bonds are fully set forth in the General Resolution (including any supplemental resolutions thereto), and neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2016 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
Robert M. Godley
Treasurer

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 1, 2015. It was updated on March 1, 2016. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.ny.gov.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2015 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, 2015 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

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

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Update to Annual Information Statement State of New York

March 1, 2016

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Annual Information Statement Update
March 1, 2016

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Introduction

This AIS Update, dated March 1, 2016 (the "AIS Update"), is the third quarterly update to the Annual Information Statement of the State of New York (the "AIS"), dated June 1, 2015. This AIS Update contains information only through March 1, 2016 and should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. A summary of recent events and changes to the State's financial plan made since the last quarterly update to the AIS dated November 24, 2015 (the "Prior Quarterly Update"). This summary includes the estimated impact of the Governor's Executive Budget proposal for Fiscal Year ("FY") 2017, as amended (the "Executive Budget"), a report on which was issued on February 16, 2016 and is available on the Division of the Budget ("DOB") website at www.budget.ny.gov. The updated information includes (a) revised Financial Plan projections for FY 2016 through FY 2019[1] and initial projections for FY 2020 (the "Updated Financial Plan" or "Executive Budget Financial Plan"), (b) an updated economic forecast, and (c) operating results through the third quarter of FY 2016.
2. A discussion of issues and risks that may affect the Financial Plan during the State's current fiscal year or in future years (under the heading "Other Matters Affecting the State Financial Plan").
3. A summary of the Generally Accepted Accounting Principles ("GAAP")-basis results for the prior three fiscal years.
4. Updated information regarding the State Retirement System.
5. Updated information on certain public authorities and localities of the State.
6. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.
7. Financial plan tables that summarize actual General Fund receipts and disbursements for fiscal year 2015 and projected receipts and disbursements for fiscal years 2016 through 2019 on a General Fund, State Operating Funds and All Governmental Funds basis.

[1] The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2016 ("FY 2016") is the fiscal year that began on April 1, 2015 and will end on March 31, 2016.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS Update on behalf of the State. In preparing this AIS Update, DOB has also relied on information drawn from other sources, including 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 Office of the Attorney General. DOB has not undertaken any independent verification of the information contained in these sections of this AIS Update.

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

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

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

On July 29, 2015, OSC issued the Basic Financial Statements for FY 2015 (ended March 31, 2015). Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and on its website at www.osc.state.ny.us. The Basic Financial Statements for FY 2015 can also be accessed through EMMA at www.emma.msrb.org.

Usage Notice

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

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

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

Budgetary and Accounting Practices

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

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

The General Fund is the sole financing source for the School Tax Relief ("STAR") fund, and is typically the financing source of last resort for the State's other major funds which include the Health Care Reform Act ("HCRA") funds, the Dedicated Highway and Bridge Trust Fund ("DHBTF"), 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 to be balanced, the focus of the State's budgetary and gap-closing discussion is generally weighted toward the General Fund.

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

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

The State also reports disbursements and receipts activity for **All Governmental Funds** ("All Funds"), which includes spending from Capital Projects Funds and State and Federal operating funds, providing the most comprehensive view of the cash-basis financial operations of the State. The State accounts for receipts and disbursements by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as State Operations). The Financial Plan tables display 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* GAAP financial plan for informational purposes. The GAAP-basis financial plan is not used by DOB as a benchmark for managing State finances during the fiscal year and is not updated on a quarterly basis. The GAAP-basis financial plan follows, to the extent practicable, the accrual methodologies and fund accounting rules applied by OSC in preparation of the audited Basic Financial Statements. However, GAAP is a financial reporting regime, not a budgeting system.

The Financial Plan projections for future years may show budget gaps or 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 expected level of resources 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 addition, the Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are made (or, in the case of two-year appropriations, reviewed) annually, taking into account the current and projected fiscal position of the State. The Financial Plan projections for FY 2017 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 in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. However, total disbursements in Financial Plan tables and discussion contained in this AIS Update do not reflect these savings. The estimated savings are included in the Financial Plan tables and labeled as "Adherence to 2 percent Spending Benchmark". Accordingly, if the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

Overview of the Updated Financial Plan

The Governor submitted his Executive Budget proposal for FY 2016 on January 13, 2016, and amendments through February 12, 2016, as permitted by law. On February 16, 2016, 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 2016), and projections for FY 2017 through FY 2020, which reflect the estimated impact of the Governor's Executive Budget proposals, as amended.

The projections for FY 2017 through FY 2020 assume that the Legislature enacts the Governor's Executive Budget proposal in its entirety and without modification by the start of FY 2017, which begins on April 1, 2016. The Governor's proposal is awaiting action by the Legislature. There can be no assurance that the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance that the fiscal impact of the budget for FY 2017, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan included in this AIS Update.

Current Fiscal Year Update (FY 2016)

The following table summarizes the most recent quarterly revisions to the FY 2016 Financial Plan.

FY 2016 GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) SUMMARY OF CHANGES FROM MID-YEAR UPDATE SAVINGS/(COSTS) (millions of dollars)	
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE	**0**
Receipts Revisions	**239**
Tax Receipts[1]	812
Tax Refund Acceleration	(550)
Non-Tax Receipts[2]	(23)
Spending Revisions	**(253)**
Local Assistance	294
Agency Operations (incl. GSCs)	84
Transfers to Other Funds	
Debt Service	(348)
Capital Projects	(118)
Federal DSHP Resources	(250)
All Other Transfers	85
Monetary Settlements[3]	**0**
Barclays	185
Morgan Stanley	150
Credit Agricole	74
Credit Suisse	30
Other	1
Allocated in FY 2017 Executive Budget	(440)
Use of Community Projects Fund Balance	**14**
REVISED BUDGET SURPLUS/(GAP) ESTIMATE	**0**

[1] Excludes transfers from other funds after revisions to estimated debt service costs.

[2] Excludes the receipt of additional monetary settlements since the Mid-Year Update.

[3] See "Monetary Settlements" herein.

General Fund receipts, including transfers from other funds, are expected to total $70.3 billion in FY 2016. General Fund disbursements, including transfers to other funds, are expected to total $72.6 billion. Given the State's opening General Fund balance in FY 2016 of $7.3 billion, and the expectation that FY 2016 disbursements will exceed receipts by $2.3 billion, DOB expects the State will end FY 2016 with a General Fund balance of $5.0 billion, an increase of $426 million compared to the Prior Quarterly Update estimate. The change to the estimated FY 2016 closing balance, since the prior quarterly update, reflects the increase in monetary settlements ($440 million) offset by the use of $14 million from the Community Projects Fund balance for spending against reappropriations.

Disbursements are expected to exceed receipts by $2.3 billion in FY 2016, due almost exclusively to the planned use of settlement money received in FY 2015 and transferred (or expected to be transferred) to other funds. Excluding the impact of transactions related to settlement money, disbursements are expected to exceed receipts by $239 million in FY 2016. This reflects the planned uses of fund balance for Financial Plan purposes ($190 million), retroactive labor settlements ($35 million), and community projects fund purposes related to reappropriations ($14 million).

DOB has increased its estimate for General Fund receipts in FY 2016 by $679 million compared to the Prior Quarterly Update. The estimate for tax receipts has been increased by $812 million, mainly reflecting stronger than expected PIT and business tax collections to date. This increase is offset by an increase in the level of PIT refunds that are expected to be paid in FY 2016 ($550 million). DOB has lowered its estimate for non-tax receipts (excluding settlements) based on a review of FY 2016 year-to-date results. In addition, DOB has increased the estimate of payments expected from monetary settlements by $440 million based on expected and actual receipts to date. The full list of settlements is described in "Monetary Settlements" herein.

Estimated General Fund disbursements for FY 2016 have been revised upward by $253 million from the Prior Quarterly Update. Local assistance and agency spending have been revised downward across a range of programs based on operating results to date and other information. Transfers to other funds have been increased to reflect the prepayment of debt service, increased capital funding due to the timing and availability of bond proceeds, and a downward revision in the expected level of Federal resources available to fund mental hygiene services.

Risks to the current estimates and projections remain. For example, while tax receipts have exceeded expectations, 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 State Financial Plan" herein.)

Budget Year Proposal (FY 2017)

DOB estimates that the Executive Budget Financial Plan provides for balanced operations in the General Fund in FY 2017, consistent with legal requirements for a balanced budget. The following table summarizes the projected annual changes from FY 2016 to FY 2017 in General Fund receipts, disbursements, and fund balances.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	Annual Change Dollar	Annual Change Percent
Opening Fund Balance	7,300	5,011	(2,289)	-31.4%
Taxes (After Debt Service)	63,247	65,388	2,141	3.4%
Miscellaneous Receipts/Federal Grants	5,820	2,642	(3,178)	-54.6%
Other Transfers	1,227	753	(474)	-38.6%
Total Receipts	70,294	68,783	(1,511)	-2.1%
Local Assistance Grants	44,153	45,427	1,274	2.9%
Departmental Operations:	8,222	8,234	12	0.1%
Personal Service	*6,139*	*6,025*	*(114)*	*-1.9%*
Non-Personal Service	*2,083*	*2,209*	*126*	*6.0%*
General State Charges	5,188	5,472	284	5.5%
Transfers to Other Funds[1]	15,020	11,503	(3,517)	-23.4%
Total Disbursements	72,583	70,636	(1,947)	-2.7%
Excess (Deficiency) of Receipts Over Disbursements	(2,289)	(1,853)	436	19.0%
Closing Fund Balance	5,011	3,158	(1,853)	-37.0%
Statutory Reserves:				
"Rainy Day" Reserve Funds	1,798	1,798	0	
Community Projects Fund	60	44	(16)	
Contingency Reserve Fund	21	21	0	
Fund Balance Reserved for:				
Debt Management	500	500	0	
Prior-Term Labor Agreements	15	0	(15)	
Monetary Settlements[1]	2,617	555	(2,062)	
Possible CUNY Labor Agreement[2]	0	240	240	

[1] Includes planned extraordinary transfers of monetary settlement receipts from the General Fund to (a) the Dedicated Infrastructure Investment Fund ($4.55 billion in FY 2016 and $1.84 billion in FY 2017); (b) the mental hygiene account to fund a portion of a Federal disallowance for OPWDD ($850 million in FY 2016); and (c) the Environmental Protection Fund ($120 million in FY 2017).

[2] Amount that would be available if the Legislature enacts the change in funding shares for CUNY Senior Colleges proposed in the FY 2017 Executive Budget. See "FY 2017 Detailed Gap-Closing Plan" herein.

General Fund receipts are affected by various factors, including the deposit of dedicated taxes in other funds for debt service and other purposes; and the transfer of balances between funds of the State. General Fund receipts, including transfers from other funds, are estimated to total $68.8 billion in FY 2017, a decrease of $1.5 billion (2.1 percent) from FY 2016. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are estimated to total $65.4 billion in FY 2017, an increase of $2.1 billion (3.4 percent) from FY 2016. This growth is offset by the lower amount of monetary settlements expected to be received in FY 2017 compared to FY 2016.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to increase by $2.7 billion (6.4 percent) from FY 2016. This primarily reflects increases in withholding and estimated payments attributable to the 2016 tax year, and the planned acceleration of tax refund payments 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 $361 million (2.9 percent) from FY 2016, reflecting projected growth in taxable consumption.

General Fund business tax receipts are estimated at $5.8 billion in FY 2017, a decrease of $426 million (6.9 percent) from FY 2016. The annual estimate reflects declines across all statutorily imposed business tax components.[2]

Other tax receipts in the General Fund are estimated to total $1.9 billion in FY 2017, a decrease of $486 million (20.1 percent) from FY 2016. The decline primarily reflects extraordinary 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 $3.4 billion in FY 2017, a decrease of $3.7 billion from FY 2016. The decline is primarily due to the large amount ($3.6 billion) of monetary settlements received in FY 2016 and lower than expected receipts and transfers from a variety of sources.

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. General Fund disbursements, including transfers to other funds, are estimated to total $70.6 billion in FY 2017, a decrease of $1.9 billion (2.7 percent) from FY 2016 spending levels. This change reflects monetary settlements that have been, or are expected to be, transferred from the General Fund to: the Dedicated Infrastructure Investment Fund ("DIIF") ($4.6 billion in FY 2016 and $1.8 billion in FY 2017); the Environmental Protection Fund ("EPF") ($120 million in FY 2017); and the mental hygiene account to fund a portion of a multi-year settlement for the resolution of a Federal Office for People with Developmental Disabilities ("OPWDD") disallowance ($850 million in FY 2016). Excluding these extraordinary transfers, General Fund spending in FY 2017 is expected to increase $1.5 billion or 2.2 percent from FY 2016.

[2] Legislation enacted in 2014 merged the bank tax with the corporate franchise tax, and amended the corporate franchise tax to accommodate changes in the financial services industry and make other modernization changes.

Local assistance grants are expected to total $45.4 billion in FY 2017, an annual increase of $1.3 billion (2.9 percent) from FY 2016, including $654 million for school aid (on a State fiscal year basis) and $433 million for Medicaid. Other local assistance increases include payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories, mainly for Medicaid payments to State-operated facilities. These sources of growth in local assistance are offset by the Executive proposals related to City University of New York ("CUNY") senior colleges, STAR, and other programs. See "FY 2017 Detailed Gap-Closing Plan" herein.

State operations disbursements in the General Fund are estimated to total $8.2 billion in FY 2017, an annual increase of $12 million (0.1 percent) from FY 2016. In general, Executive agency spending on a State Operating Funds basis is flat with few exceptions, including Department of Health ("DOH") to operate the New York State of Health ("NYSOH") Exchange, continue the transition of administrative functions from local service districts to the State, and operate the new Essential Plan ("EP").

General State Charges ("GSCs") are estimated to total $5.5 billion in FY 2017, an annual increase of $284 million (5.5 percent) from FY 2016. Health insurance costs are projected to increase $231 million or 6.6 percent. The State's annual pension payment is expected to increase by $161 million (7.3 percent). The State, including the Office of Court Administration ("OCA") does not currently plan to amortize its pension payments in FY 2017, and plans to repay a total of $432 million due in FY 2017 on amortized amounts from FY 2011 through FY 2016.

General Fund transfers to other funds, excluding extraordinary transfers of monetary settlement receipts described earlier, are estimated to total $9.5 billion in FY 2017, a decrease of $77 million from FY 2016.

FY 2017 Detailed Gap-Closing Plan

The following table and narrative summarize the proposed gap-closing plan.

FY 2017 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN
(millions of dollars)

	FY 2017	FY 2018	FY 2019	FY 2020
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(1,781)**	**(2,802)**	**(4,414)**	**(4,205)**
SPENDING CHANGES	**2,051**	**2,054**	**1,692**	**1,524**
Agency Operations	**384**	**145**	**40**	**(357)**
Executive Agency Operations	222	153	181	125
Fringe Benefits/Fixed Costs	168	11	(122)	(463)
University Systems	19	19	19	19
Independent Officials	(25)	(38)	(38)	(38)
Local Assistance	**1,408**	**2,129**	**2,269**	**2,495**
Higher Education	176	531	540	542
Mental Hygiene	215	173	101	32
Health Care	308	539	603	738
STAR - Program Conversion*	185	478	576	671
STAR - Other Actions	55	116	172	228
Human Services/Housing	154	110	110	101
All Other	315	182	167	183
Capital Projects/Debt Management	**380**	**161**	**136**	**82**
Initiatives/Investments	**(121)**	**(381)**	**(753)**	**(696)**
DREAM Act	(19)	(27)	(27)	(27)
Juvenile Justice Reform ("Raise the Age")	(2)	(161)	(403)	(385)
SUNY/CUNY Performance Incentive Program	0	(30)	(30)	(30)
Continue Charter School Tuition Funding	0	(27)	0	0
Public Financing of Campaigns	0	(2)	(117)	(6)
All Other	(100)	(134)	(176)	(248)
RESOURCE CHANGES	**(287)**	**(51)**	**127**	**(427)**
Tax Revisions	(229)	(44)	164	100
Federal DSHP Resources	(250)	0	0	0
STARC Debt Refunding Savings	200	200	200	0
STAR Conversion*	0	(185)	(478)	(576)
All Other	(8)	(22)	241	49
TAX ACTIONS	**17**	**(322)**	**(534)**	**(512)**
Small Business Tax Rate Reduction	0	(298)	(298)	(298)
Thruway Toll Credit	0	(113)	(113)	(114)
Use of Monetary Settlements for Thruway Toll Credit	0	113	113	114
Education Tax Credit	0	0	(150)	(150)
Other Tax Extenders/Credits	17	(24)	(86)	(64)
ADHERENCE TO 2% SPENDING BENCHMARK [2]	**n/a**	**1,643**	**3,227**	**4,568**
EXECUTIVE BUDGET SURPLUS/(GAP)	**0**	**522**	**98**	**948**

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

[2] Savings estimated from limiting annual spending growth in future years to 2 percent (calculation based on current FY 2016 estimate). The Governor is expected to propose, and negotiate with the Legislature to enact, an annual budget that restricts State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

* 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 2016 through 2020" herein.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (i.e., supplies, utilities). These costs have significantly declined over the past several years through ongoing State agency redesign and cost-control efforts. Reductions from the prior projections for agency operations contribute $384 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** The Executive Budget Financial Plan reflects the proposal to hold agency spending flat with limited exceptions, such as costs attributable to the NYSOH marketplace and the new 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 a management system known as "Lean" which applies a series of principles to streamline operations and management. The Executive Budget Financial Plan also includes proposed savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings. In addition, certain operating and equipment costs have been more appropriately aligned with capital and Federal financing sources.

  Spending increases in the upcoming fiscal years are driven mainly by revised spending assumptions across multiple agencies to account for inflationary cost increases, as well as higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires.

- **Fringe Benefits/Fixed Costs:** Estimates for fringe benefit and fixed costs have been lowered to reflect the planned payment of the FY 2017 Employees' Retirement System ("ERS")/Police and Fire Retirement System ("PFRS") pension bill in April 2016 rather than on the March 1, 2017 due date. Additional 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 FY 2018 and 2019, respectively, and $35 million in FY 2020). Health insurance savings are expected from the proposed elimination of Medicare Part B 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 current 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 these new retirees with ten years of service, and gradually decrease until they are no different than current levels once an individual reaches thirty years of service. 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 State University of New York ("SUNY") hospital operations will be reduced through the discontinuation of previous legislative additions to hospital spending ($19 million). This change would maintain support consistent with the Downstate Medical Center Sustainability Plan approved in 2013.

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 $1.4 billion in General Fund savings.[3] Savings are expected from both targeted actions and continuation of prior-year cost containment. Specifically:

- **Higher Education:** The Executive Budget proposes to change the financial responsibility for CUNY senior colleges to reflect the proportion of CUNY board members appointed by the Governor and the Mayor. The Executive Budget proposes that the City of New York (the "City") pay a 30 percent share of $1.6 billion in support currently funded by the State, which aligns with the City's 30 percent share of CUNY governance. The Executive Budget proposes setting aside $240 million of the State savings to fund potential retroactive labor agreements with CUNY employee unions conditioned on enactment of the change in financial responsibilities.

  Other 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:** The Executive Budget Financial Plan also reflects the reinstitution of the New York City contribution toward financing the growth in Medicaid expenses, effective October 1, 2016. The contribution level is increased by 3.6 percent in FY 2017 and 5.8 percent in FY 2018, with annual growth of about 2 percent thereafter. Other savings include additional HCRA resources available that lower General Fund spending. Spending estimates have been reduced for the Child Health Plus ("CHP") program as a result of Federal funding under the Affordable Care Act ("ACA") and a reduction in the Excess Medical Malpractice subsidy payment levels, which reimburse certain physicians and dentists for a secondary layer of medical malpractice insurance coverage.

- **School Tax Relief ("STAR"):** The Executive Budget Financial Plan reflects the proposal to gradually transform the STAR benefit currently provided to taxpayers as a tax exemption, to a refundable personal income tax credit. The change would apply only to new housing

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

transactions, i.e., new homebuyers and homeowners who move[4]. The transformation would reduce State spending and reflect the program costs as a tax expenditure. In addition, it is proposed that the New York City personal income tax STAR credit be converted to a New York State personal income tax credit, a simple reporting change that eliminates the need to reimburse costs paid by the City. Lastly, a cap is proposed on the annual growth in the exemption benefit, which would be held flat rather than the current 2 percent growth allowance. Another proposal that is intended to generate savings would mandate enrollment in the Income Verification Program beginning in FY 2018.

- **Human Services:** Savings reflect the use of Temporary Assistance for Needy Families ("TANF") funding sources to reduce the Office of Children and Family Services ("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 offset by a projected increase in spending in the Bridges to Health program and the reinvestment of State savings gained from Federal rule changes in post-adoption and primary preventive services. This reinvestment is required in order to continue Federal provision of Title IV-E funds.

- **All Other:** Savings are expected as a result of updated spending assumptions across a number of program areas, including utilization of available Mortgage Insurance Fund ("MIF") resources to fund initiatives addressing housing and homelessness programs; mental hygiene funding within the Global Cap; education programs and grant spending revisions based on updated information; eliminating General Fund support for certain local government programs which can be funded with available capital resources earmarked for municipal restructuring; and spending revisions based on utilization trends in other local assistance programs.

Capital Projects/Debt Management

- **Capital/Debt Revisions**: Savings are expected to be achieved through a variety of debt-management actions, including the prepayment of $550 million of FY 2017 expenses in FY 2016 and $60 million of FY 2018 expenses in FY 2017; refunding of higher-cost debt, management of bondable resources; and efficiency savings through the continued use of competitive bond sales.

[4] 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.

Initiatives/Investments

- **DREAM Act:** The proposed DREAM Act extends student financial assistance to undocumented immigrant students pursuing higher education in New York State.
- **Juvenile Justice Reform ("Raise the Age"):** The Executive Budget Financial Plan includes additional funding to support the movement of 16 and 17 year old non-violent criminal offenders from general prison populations to separate facilities, as directed by an Executive Order issued in December 2015. The Department of Corrections and Community Supervision ("DOCCS"), OCFS and the Office of Mental Health ("OMH") will collaborate on implementing a plan to gradually remove minors from adult prisons in the State, and on providing specialized programming and services. The Executive Budget Financial Plan also includes legislation to raise the age of criminal responsibility from 16 to age 18 by January 1, 2019.
- **SUNY/CUNY Performance Incentive Program:** The Executive Budget continues $30 million in funding for SUNY State-operated campuses and CUNY senior colleges to implement campus performance improvement plans that identify and implement best practices from around the systems to improve outcomes in student access, completion, and post-graduation success.
- **Continue Charter School Tuition Funding:** The Executive Budget proposes extending increased funding for charter school tuition into school year 2016-17.
- **Public Financing of Campaigns:** The Executive Budget Financial Plan reflects the proposed voluntary public financing system beginning in 2018. The system would provide a public match of $6 to $1 of campaign contributions of up to $175. The new system would take effect for the 2018 elections (FY 2019).
- **All Other:** The Executive Budget Financial Plan includes proposed funding for programs and initiatives, including homelessness, poverty reduction, the State subsidy to maintain Verrazano Bridge toll levels, victim services, upstate transit infrastructure, firearm violence prevention, and aging. It also reflects debt service costs for new capital initiatives funded with bonds.

Resource Changes

- **Tax Revisions:** The estimate for annual tax receipts has been revised across all major tax categories to reflect 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:** 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 continues to pursue the matter with the Centers for Medicare & Medicaid Services ("CMS").

- **Sales Tax Asset Receivable Corporation ("STARC") Debt Refunding Savings:** The Executive Budget Financial Plan includes a proposed 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 Executive Budget includes a proposal to recoup from New York City 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 proposals to convert the NYC STAR credit to a State PIT credit, and the STAR benefit for new homeowners to a tax credit, will not impact individual benefits, but will result in lower General Fund tax collections.

- **Other Resource Changes:** Other changes include updated estimates of various miscellaneous receipts and transfers from other funds, including revenue transfers from NYPA to support $20 million in annual energy-related program activity, with no additional contributions expected.

Tax Actions

- **Lower Taxes on Small Businesses:** The Executive Budget Financial Plan reflects the proposal to lower tax rates both for small businesses who pay via the corporate tax, and for individuals paying through the personal income tax.

- **Establish Thruway Toll Tax Credits:** A nonrefundable personal income tax credit for Thruway tolls paid electronically that would begin on January 1, 2016 and sunset December 31, 2018 would save drivers $340 million over 3 years. The cost of this program is supported by monetary settlements.

- **Establish Education Tax Credits:** The Executive Budget Financial Plan includes the costs of proposed new refundable and non-refundable tax credits to provide $150 million in tax relief annually through the Parental Choice in Education Act.

- **Other Tax Extenders/Credits:** Other significant tax actions include enhancing the Urban Youth Jobs Program Tax Credit and other extensions of tax credits, including for hiring veterans, clean heating fuel usage, and increased credits for low income housing.

Annual Spending Growth

The Executive Budget Financial Plan reflects the proposal that FY 2017 annual spending growth in State Operating Funds be held to 1.7 percent, which is below the 2 percent spending benchmark. All Funds spending, which includes spending from capital funds and Federal funds, is expected to increase by 1.2 percent from the level estimated for FY 2016, excluding extraordinary aid.

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2015 Results	FY 2016 Current	Annual Change	Annual % Change	FY 2017 Proposed	Annual Change	Annual % Change
STATE OPERATING FUNDS	**92,426**	**94,289**	**1,863**	**2.0%**	**95,898**	**1,609**	**1.7%**
General Fund (excluding transfers)	54,255	57,563	3,308	6.1%	59,133	1,570	2.7%
Other State Funds	31,949	31,230	(719)	-2.3%	31,259	29	0.1%
Debt Service Funds	6,222	5,496	(726)	-11.7%	5,506	10	0.2%
ALL GOVERNMENTAL FUNDS	**138,642**	**143,587**	**4,945**	**3.6%**	**145,366**	**1,779**	**1.2%**
State Operating Funds	92,426	94,289	1,863	2.0%	95,898	1,609	1.7%
Capital Projects Funds	7,548	9,268	1,720	22.8%	9,682	414	4.5%
Federal Operating Funds	38,668	40,030	1,362	3.5%	39,786	(244)	-0.6%
ALL GOVERNMENTAL FUNDS (INCL. EXTRAORDINARY AID)	**143,891**	**152,078**	**8,187**	**5.7%**	**154,580**	**2,502**	**1.6%**
Federal Disaster Aid for Superstorm Sandy	1,960	1,775	(185)	-9.4%	1,100	(675)	-38.0%
Federal Health Care Reform	3,289	5,974	2,685	81.6%	6,791	817	13.7%
Monetary Settlements for Capital Spending	0	742	742	0.0%	1,323	581	78.3%
GENERAL FUND (INCLUDING TRANSFERS)	**62,856**	**72,583**	**9,727**	**15.5%**	**70,636**	**(1,947)**	**-2.7%**
STATE FUNDS	**98,148**	**102,153**	**4,005**	**4.1%**	**105,276**	**3,123**	**3.1%**

Extraordinary aid relates to (a) Federal health care reform, which includes the ACA, the new EP, and the Federal waiver to transform the State's health care system, all of which increase the flow of Federal Funds through the State's Financial Plan; (b) Federal aid that is expected to pass through the State's Financial Plan to local governments, public authorities, and not-for-profits for recovery from Superstorm Sandy; and (c) capital spending from monetary settlements with financial institutions. When extraordinary aid is included, All Funds disbursements are projected to total $154.6 billion in FY 2017, an increase of 1.6 percent from FY 2016.

The following table illustrates the major sources of the estimated change in State spending from FY 2016 to FY 2017 by major program, purpose, and fund perspective.

STATE SPENDING MEASURES
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	Annual Change $	Annual Change %
LOCAL ASSISTANCE	**63,032**	**64,328**	**1,296**	**2.1%**
School Aid (School Year Basis)	23,233	24,224	991	4.3%
DOH Medicaid[1]	17,480	18,038	558	3.2%
Transportation	4,797	4,990	193	4.0%
STAR	3,337	3,228	(109)	-3.3%
Social Services	2,921	2,870	(51)	-1.7%
Higher Education	2,982	2,650	(332)	-11.1%
Mental Hygiene	2,636	2,513	(123)	-4.7%
All Other[2]	5,646	5,815	169	3.0%
STATE OPERATIONS/FRINGE BENEFITS	**25,804**	**26,112**	**308**	**1.2%**
State Operations	**18,478**	**18,476**	**(2)**	**0.0%**
Personal Service:	12,957	12,809	(148)	-1.1%
Executive Agencies	7,263	7,183	(80)	-1.1%
Extra Bi-Weekly Institutional Pay Period	167	0	(167)	n/a
University Systems	3,621	3,692	71	2.0%
Elected Officials	1,906	1,934	28	1.5%
Non-Personal Service:	5,521	5,667	146	2.6%
Executive Agencies	2,761	2,827	66	2.4%
University Systems	2,183	2,232	49	2.2%
Elected Officials	577	608	31	5.4%
Fringe Benefits/Fixed Costs	**7,326**	**7,636**	**310**	**4.2%**
Pension Contribution	2,209	2,370	161	7.3%
Health Insurance	3,479	3,710	231	6.6%
Other Fringe Benefits/Fixed Costs	1,638	1,556	(82)	-5.0%
DEBT SERVICE	**5,452**	**5,455**	**3**	**0.1%**
CAPITAL PROJECTS	**1**	**3**	**2**	**200.0%**
TOTAL STATE OPERATING FUNDS	**94,289**	**95,898**	**1,609**	**1.7%**
Capital Projects (State and Federal Funds)[3]	**9,268**	**9,682**	**414**	**4.5%**
Federal Operating Aid[3]	**40,030**	**39,786**	**(244)**	**-0.6%**
TOTAL ALL GOVERNMENTAL FUNDS[3]	**143,587**	**145,366**	**1,779**	**1.2%**

[1] Includes Essential Plan.

[2] "All Other" includes public health, other education, local government assistance, parks, environment, economic development, public safety, and reconciliation between school year and State fiscal year spending for School aid.

[3] Capital Projects, Federal Operating Funds, and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy, and capital spending from the monetary settlements. Including disbursements for these purposes, All Funds disbursements are expected to total $154.6 billion in FY 2017, an increase of 1.6 percent.

Closing Balance for FY 2017

DOB projects that the State will end FY 2017 with a General Fund cash balance of $3.2 billion, a decrease of $1.9 billion from the FY 2016 closing balance. The decline reflects the planned transfers of monetary settlements ($2.1 billion), use of Community Projects Fund resources ($16 million), and use of the collective bargaining reserve to fund the recent labor agreements ($15 million). This decrease is partly offset by the planned set aside of $240 million for potential retroactive labor agreements with CUNY unions, which is contingent upon enactment of the changes in financial responsibilities for CUNY senior colleges proposed in the Executive Budget Financial Plan.

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 Executive 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 Current	FY 2017 Proposed	Annual Change
TOTAL GENERAL FUND BALANCE	**5,011**	**3,158**	**(1,853)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	60	44	(16)
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Possible CUNY Labor Agreement	0	240	240
Prior-Term Labor Agreements	15	0	(15)
Monetary Settlements	2,617	555	(2,062)

Cash Flow

The State authorizes the General Fund to borrow resources temporarily from available funds in the Short-Term Investment Pool ("STIP") for up to four months, or to the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to temporarily borrow a minimal amount of 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 to make all planned payments as they become due through FY 2017, as reflected in the following table that includes month-end cash balance projections. 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	7,229	7,708	14,937
May	4,283	8,179	12,462
June	4,338	8,175	12,513
July	4,046	8,927	12,973
August	3,263	9,375	12,638
September	6,418	6,730	13,148
October	5,352	7,015	12,367
November	3,102	7,071	10,173
December	4,976	6,637	11,613
January	5,673	9,130	14,803
February	5,468	9,234	14,702
March	3,158	7,120	10,278

Monetary Settlements

The Department of Financial Services ("DFS"), Department of Law, and the Manhattan District Attorney's Office have reached financial settlements with a number of banks and other associated entities for violations of New York banking laws, and with a number of insurance companies and other associated entities for violations of New York insurance laws. The State has received a total of $8.3 billion from monetary settlements since the beginning of FY 2015, and expects to receive another $215 million by the end of the current fiscal year for a total of $8.5 billion. Of this amount, $5.4 billion was allocated in the FY 2016 Budget and $627 million has been set aside for Financial Plan operations, as planned. The FY 2017 Executive Budget proposes using another $2.3 billion of settlement money for investments that supplement State activities, including: transportation ($900 million); homeless and affordable housing ($640 million); economic development ($255 million); expand anti-poverty initiatives ($25 million); and to promote municipal consolidation ($20 million). The balance will be used to supplement the EPF ($120 million) and to fund the three-year toll credit for certain regular users of the Thruway ($340 million), leaving $215 million in reserve.

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

	FY 2015	FY 2016	Total
Monetary Settlements	**4,942**	**3,605**	**8,547**
BNP Paribas	2,243	1,348	3,591
Department of Financial Services (DFS)	2,243	0	2,243
Asset Forfeiture (DANY)	0	1,348	1,348
Deutsche Bank	0	800	800
Credit Suisse AG	715	30	745
Commerzbank	610	82	692
Barclays	0	670	670
Credit Agricole	0	459	459
Bank of Tokyo Mitsubishi	315	0	315
Bank of America	300	0	300
Standard Chartered Bank	300	0	300
Morgan Stanley	0	150	150
Bank Leumi	130	0	130
Ocwen Financial	100	0	100
Citigroup (State Share)	92	0	92
Goldman Sachs	0	50	50
MetLife Parties	50	0	50
American International Group, Inc.	35	0	35
PricewaterhouseCoopers	25	0	25
AXA Equitable Life Insurance Company	20	0	20
Promontory	0	15	15
New Day	0	1	1
Other Settlements	7	0	7

List of Settlements Received/Expected

The following settlement payments were received or are expected by the State in FY 2015 and FY 2016.

- BNP Paribas, S.A. New York Branch ("BNPP") paid nearly $3.6 billion pursuant to (i) a June 29, 2014 consent order between DFS and BNPP and (ii) a June 30, 2014 plea agreement between BNPP and the New York County District Attorney in connection with conduct by BNPP which violated U.S. national security and foreign policy and raised serious safety and soundness concerns for regulators. BNPP's conduct included obstructing governmental administration, failing to report crimes and misconduct, offering false instruments for filing, and falsifying business records.

- Credit Suisse AG paid a $715 million civil monetary penalty pursuant to a May 18, 2014 consent order between DFS and Credit Suisse AG. This consent order pertained to Credit Suisse AG's decades-long operation of an illegal cross-border banking business whereby Credit Suisse AG knowingly and willfully (i) aided thousands of U.S. clients in opening and maintaining undeclared accounts, and (ii) concealed offshore assets and income from the Internal Revenue Service and New York authorities. On February 1, 2016, the Office of the Attorney General announced in a press release that Credit Suisse Securities (USA) LLC will pay the State $30 million to settle investigations into false statements and omissions made in connection with the marketing of dark pools and other high-speed electronic equities trading services.

- Commerzbank AG New York Branch and Commerzbank AG (collectively "Commerzbank") paid a $610 million civil monetary penalty pursuant to a March 12, 2015 consent order between Commerzbank and DFS. This consent order pertained to Commerzbank's transactions on behalf of Iran, Sudan, and a Japanese corporation which engaged in accounting fraud in violation of New York State Banking Law and regulations. Additionally, Commerzbank AG paid $81.7 million in fines and forfeiture payments pursuant to a Deferred Prosecution Agreement between Commerzbank, the New York County District Attorney's Office and the United States Department of Justice. This Deferred Prosecution Agreement pertained to Commerzbank's actions in moving more than $250 million through the U.S. financial system, primarily on behalf of Iranian and Sudanese customers in violation of U.S. sanctions, by concealing the illegal nature of these transactions and deceiving U.S. banks into processing illegal wire payments.

- Deutsche Bank AG and Deutsche Bank AG New York Branch (collectively "Deutsch Bank") paid a $600 million civil monetary penalty in accordance with an April 23, 2015 consent order between Deutsche Bank and DFS. This consent order pertained to Deutsche Bank's manipulation of benchmark interest rates, including (i) the London Interbank Offered Rate, (ii) the Euro Interbank Offered Rate and (iii) the Euroyen Tokyo Interbank Offered Rate, in violation of New York State Banking Law and regulations.

- Deutsche Bank paid an additional $200 million civil monetary penalty pursuant to a November 3, 2015 consent order between DFS and Deutsche Bank. This consent order pertained to Deutsche Bank's use of non-transparent methods and practices to conduct more than 27,200 U.S. dollar clearing transactions, valued at over $10.86 billion, on behalf of Iranian, Libyan, Syrian, Burmese, and Sudanese financial institutions and other entities subject to U.S. economic sanctions, including entities on the Specially Designated Nationals List of the U.S. Treasury Department's Office of Foreign Assets Control.

- Barclays paid $635 million, which included (i) a $485 million civil monetary penalty in accordance with a May 2015 consent order between Barclays and DFS, and (ii) a $150 million civil monetary penalty in accordance with a November 2015 consent order between Barclays and DFS. The May 2015 consent order pertained to Barclays' attempted manipulation of benchmark foreign exchange rates and other manipulative conduct in violation of New York State Banking Law and regulations. The November 2015 consent order pertained to Barclays' automated electronic foreign exchange trading misconduct. On February 1, 2016, the Office of the Attorney General announced that Barclays Capital Inc. will pay the State $35 million to settle investigations into false statements and omissions made in connection with the marketing of their dark pools and other high-speed electronic equities trading services.

- Credit Agricole paid $459 million, which included (i) a $385 million civil monetary penalty pursuant to an October 2015 consent order between DFS and Credit Agricole, and (ii) an asset forfeiture of $74 million pursuant to a deferred prosecution agreement with the New York County District Attorney's office. Both the consent order and deferred prosecution agreement pertained to Credit Agricole's processing billions of dollars of payments on behalf of certain sanctioned parties.

- The Bank of Tokyo-Mitsubishi UFJ. Ltd. ("BTMU") paid a $315 million civil monetary penalty pursuant to a November 18, 2014 consent order between DFS and BTMU. This consent order pertained to BTMU's wrongful actions in misleading DFS concerning BTMU's U.S. dollar clearing services conducted on behalf of sanctioned Sudanese, Iranian, and Burmese parties. Previously, BTMU paid a $250 million civil monetary penalty pursuant to a June 19, 2013 consent order between DFS and BTMU. Such consent order pertained to BTMU's unlawful clearance through the New York Branch and other New York-based financial institutions of approximately 28,000 U.S. dollar payments, valued at approximately $100 billion, on behalf of certain sanctioned parties.

- Bank of America ("BofA") paid $300 million pursuant to an August 18, 2014 settlement agreement to remediate harms related to BofA's violations of State law in connection with the packaging, origination, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into BofA Corporation, Bank of America, N.A., and Banc of America Mortgage Securities, as well as their current and former subsidiaries and affiliates.

- Standard Chartered Bank, New York Branch ("SCB NY") paid $300 million pursuant to an August 19, 2014 consent order between the DFS and SCB NY for failure to fully comply with a September 21, 2012 consent order between the parties. The August 19, 2014 consent order pertained to SCB NY's use of ineffective risk management systems for the identification and management of compliance risks related to compliance with the Bank Security Act ("BSA") and anti-money laundering ("AML") laws, rules, and regulations. Such risks included U.S. dollar clearing for clients of SCB United Arab Emirates and SCB Hong Kong, among others.

- Morgan Stanley is to pay the State $150 million pursuant to a 2016 settlement agreement between the Office of the Attorney General and Morgan Stanley. This settlement agreement pertained to harms to the State allegedly resulting from Morgan Stanley's creation, packaging, marketing, underwriting, sale, structuring, arrangement, and issuance of residential mortgage-backed securities in 2006 and 2007.

- Bank Leumi paid a $130 million civil monetary penalty pursuant to a December 22, 2014 consent order between DFS and Bank Leumi. This consent order pertained to Bank Leumi's (i) knowing and willful operation of a wrongful cross-border banking business which assisted U.S. clients in concealing offshore assets and evading U.S. tax obligations, and (ii) misleading DFS about Bank Leumi's improper activities.

- Ocwen Financial ("Ocwen") paid a $100 million civil monetary penalty and another $50 million as restitution to current and former Ocwen borrowers pursuant to a December 19, 2014 consent order between DFS and Ocwen. This consent order pertained to, among other things, numerous and significant violations of a 2011 agreement between Ocwen and DFS which required Ocwen to adhere to certain servicing practices in the best interest of borrowers and investors. The $100 million payment is to be used by the State for housing, foreclosure relief, and community redevelopment programs supporting New York's housing recovery. The $50 million restitution payment will be used to make $10,000 payments to current and former Ocwen borrowers in New York whose homes were foreclosed upon by Ocwen between January 1, 2009 and December 19, 2014. The balance of the $50 million will then be distributed equally among borrowers who had foreclosure actions filed against them by Ocwen between January 1, 2009 and December 19, 2014, but in which Ocwen did not complete such foreclosure action.

- Citigroup Inc. ("Citigroup") paid $92 million pursuant to a July 2014 settlement agreement to remediate harms to the State resulting from the packaging, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into Citigroup.

- Goldman Sachs Group, Inc. and Goldman Sachs and Co. (collectively "Goldman") paid a $50 million civil monetary penalty pursuant to an October 2015 consent order between DFS and Goldman. This consent order pertained to Goldman's failure to implement and maintain adequate policies and procedures relating to post-employment restrictions of former government employees.

- American Life Insurance Company ("ALICO"), Delaware American Life Insurance Company ("DelAm"), and MetLife, Inc. ("MetLife") (collectively "MetLife Parties") paid $50 million as a civil fine pursuant to a March 31, 2014 consent order between DFS and MetLife Parties. This consent order pertained to a DFS investigation into whether ALICO and DelAm conducted an insurance business in New York without a New York license, and aided other insurers in conducting insurance businesses in New York without a New York license.

- American International Group, Inc. ("AIG") paid a $35 million civil monetary penalty pursuant to an October 31, 2014 consent order between DFS and AIG. This consent order pertained to a DFS investigation which uncovered former subsidiaries ALICO and DelAm (i) solicited insurance business in New York without a license, and (ii) made intentional misrepresentations and omissions to DFS concerning such activities.

- PricewaterhouseCoopers LLP ("PwC") paid $25 million pursuant to an August 14, 2014 settlement agreement between DFS and PwC to (i) resolve the DFS's investigation of PwC's actions in performing certain consulting services for the Tokyo Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.

- AXA Equitable Life Insurance Company ("AXA") paid a $20 million civil fine pursuant to a March 17, 2014 consent order between DFS and AXA. The consent order pertained to whether AXA properly informed DFS regarding the implementation of its "AXA Tactical Manager" strategy.

- Promontory Financial Group, LLC ("Promontory") paid the State $15 million pursuant to an August 18, 2015 agreement between DFS and Promontory. This agreement pertained to Promontory's performance of regulatory compliance work for Standard Chartered Bank wherein Promontory failed to meet DFS's requirements for consultants performing such regulatory compliance work.

- New Day Financial LLC Fulton, Maryland ("New Day") paid a $1 million civil monetary penalty pursuant to a November 18, 2015 consent order between the DFS and New Day. The consent order pertained to New Day's violation of the Nationwide Multistate Licensing System and Registry Rules of Conduct and New York Mortgage Banking laws.

Uses of Monetary Settlements

The Executive Budget Financial Plan reflects the Executive's intention to continue to apply the majority of the settlement resources to fund capital investments.

PROPOSED USE/RESERVE OF AVAILABLE SETTLEMENTS (millions of dollars)	
TOTAL SETTLEMENTS (FY 2015 - FY 2017)	**(8,547)**
Financial Plan - Purposes (FY 2015 - FY 2017)	(627)
FY 2016 Enacted Budget Initiatives	(5,405)
FY 2017 Executive Budget Proposed Uses	(2,300)
Transfer to Dedicated Infrastructure Investment Fund	(1,840)
New York State Thruway Toll Credit	(340)
Transfer to Environmental Protection Fund	(120)
Unbudgeted Reserve	(215)

The FY 2017 Executive Budget Financial Plan reflects the proposed use of $2.3 billion in unbudgeted settlement funds for a variety of purposes including: $1.84 billion to be transferred from the General Fund to the DIIF during FY 2017; $340 million for the Thruway Toll Credit described below; and $120 million for the EPF.

Resources are proposed to be transferred to DIIF to fund the following initiatives:

- **Thruway Stabilization Plan ($700 million):** The Executive Budget invests in Thruway infrastructure, on top of last year's commitment of $1.285 billion. This two-year investment of nearly $2 billion will support both the New NY Bridge project and other transportation infrastructure needs for the rest of the Thruway's core system across the State. Further, this Executive Budget proposal is predicated on the expectation that it should allow the Thruway Authority to be able to freeze tolls for all drivers until at least 2020.

- **Transportation Capital Plan ($200 million):** The Executive Budget allocates settlement funds towards transportation infrastructure projects across the State, consistent with the $22.1 billion five-year State Transportation Capital Plan. This plan will improve roads, bridges, airports, rail facilities, ports, and transit systems funded through the Department of Transportation ("DOT") budget and make State-funded investments in the Thruway.

- **Housing and Homeless Plan ($640 million):** The Executive Budget establishes a comprehensive multi-year investment in affordable housing, services and other 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. In FY 2017, it is proposed that $640 million of

settlement funds be directed towards this effort, including $590 million for capital projects and $50 million for other service costs.

- **Economic Development ($255 million):** The Executive Budget includes $170 million to continue support of the revitalization of upstate New York through a competitive process. An additional $85 million will continue the economic development strategy of creating jobs, strengthening and diversifying economies, and generating economic opportunities across the State.

- **Empire State Poverty Reduction Initiative ($25 million):** The Executive Budget includes new funding to significantly expand the anti-poverty initiative begun in 2015. Planning grants totaling $5 million will be available in ten communities with high concentrations of poverty. In addition, $20 million will be available for grants to match private sector and foundation funding.

- **Municipal Consolidation Competition ($20 million):** The Executive Budget proposes 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.

The DIIF legislation permits the use of available funds in case of economic downturn, or to cover disallowances or settlements related to overpayment of Federal Medicare and Medicaid revenues in excess of $100 million. While the legislation authorizes the State to access these resources under these circumstances, the Executive Budget Financial Plan does not assume these resources would be diverted from DIIF under these circumstances.

Other Uses

- **Thruway Toll Credit ($340 million):** Proposes monetary settlement resources fund a State personal income tax credit to eligible Thruway motorists, such as frequent travelers, small businesses, and farmers.

- **EPF ($120 million):** Proposes monetary settlement resources be directed toward 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.

New resources totaling $215 million are expected to be received by the State by the end of FY 2016, and it is planned that these resources will remain in reserve for future use.

April - December 2015 Operating Results

This section provides a summary of operating results for the nine-month period of April 2015 through December 2015 compared to (1) the initial projections set forth in the FY 2016 Enacted Budget; (2) the revised projections of the Mid-Year Update to the Financial Plan; and (3) the operating results for the same time period of the prior fiscal year (April 2014 through December 2014). The explanation of variance is mainly focused on results compared to initial projections.

General Fund Results

The State ended December 2015 with a General Fund closing balance of $12.7 billion, $5.5 billion higher than initially estimated in the FY 2016 Enacted Budget Financial Plan. The increase reflects $2.6 billion in higher than expected tax receipts, $1.4 billion in unanticipated monetary settlements, and $1.5 billion in lower spending.

GENERAL FUND OPERATING RESULTS
April through December 2015
(millions of dollars)

				Above/(Below) Variance	
	Initial Plan	Mid-Year Plan	Results	Initial Plan	Mid-Year Plan
Opening Balance	**7,300**	**7,300**	**7,300**	**0**	**0**
Total Receipts	**49,414**	**52,257**	**53,402**	**3,988**	**1,145**
Taxes:	45,447	47,226	48,073	2,626	847
Personal Income Tax[1]	30,497	31,998	32,649	2,152	651
Consumption / Use Taxes[1]	9,844	9,482	9,555	(289)	73
Business Taxes	3,585	3,804	3,885	300	81
Other Taxes[1]	1,521	1,942	1,984	463	42
Receipts and Grants	3,445	4,543	4,849	1,404	306
Transfers From Other Funds	522	488	480	(42)	(8)
Total Spending	**49,460**	**49,592**	**47,961**	**(1,499)**	**(1,631)**
Local Assistance	30,503	30,387	29,406	(1,097)	(981)
Agency Operations (including GSCs)	10,319	10,531	10,554	235	23
Debt Service Transfer	508	499	496	(12)	(3)
Capital Projects Transfer	1,810	1,862	1,271	(539)	(591)
State Share of Mental Hygiene Medicaid Transfer	1,858	1,852	1,789	(69)	(63)
SUNY Operations Transfer	1,000	998	998	(2)	-
All Other Transfers	3,462	3,463	3,447	(15)	(16)
Change in Operations	**(46)**	**2,665**	**5,441**	**5,487**	**2,776**
Closing Balance	**7,254**	**9,965**	**12,741**	**5,487**	**2,776**

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

Through December 2015, General Fund receipts, including transfers from other funds, were almost $4.0 billion higher than the FY 2016 Enacted Budget Financial Plan projections reflected in the AIS, including higher tax receipts ($2.6 billion) and miscellaneous receipts ($1.4 billion).

Higher tax collections include PIT receipts ($2.2 billion), due to stronger than anticipated estimated payments for tax year 2015 and lower than expected refunds for tax year 2014; other taxes ($463 million), driven mostly by six (an atypically high number of) estate tax payments in excess of $25 million; and business tax collections ($300 million) from greater than estimated corporate franchise tax gross receipts. These increases are partly offset by lower consumption/use tax collections due to refunds and accounting adjustments ($289 million).

These results have been the basis for a nearly $1.1 billion increase to estimated tax receipts in FY 2016 since the FY 2016 Enacted Budget Financial Plan projections reflected in the AIS.

Miscellaneous receipts are higher, largely due to $1.4 billion in unanticipated monetary settlements with financial institutions for the violation of banking laws which have been reflected in the Executive Budget Financial Plan (See “Monetary Settlements” herein), including:

- Barclays ($635 million to date; another $35 million expected by March 31, 2016)
- Credit Agricole ($459 million)
- Deutsche Bank ($200 million)
- Goldman Sachs ($50 million)
- Promontory Financial Group ($15 million)
- New Day Financial ($1 million)

Through December 2015, General Fund disbursements, including transfers to other funds, were $1.5 billion lower than initial projections.

Local assistance spending was $1.1 billion lower than initially planned in the FY 2016 Enacted Budget Financial Plan projections, with the largest under spending occurring in education-and higher education programs due mainly to the timing of payments. Since the initial estimates, local assistance spending has been reduced by roughly $200 million across multiple programs and activities.

Higher agency operational spending is mainly due to lower escrow receipts from other funds (particularly from the mental hygiene agencies), which offset General Fund GSC spending ($235 million). Other agency operations spending was slightly below projections. Agency operations spending has been reduced by approximately $50 million since initial projections.

Lower General Fund transfers are almost entirely attributable to delayed transfers for capital projects ($539 million) resulting from earlier bond proceeds reimbursements.

State Operating Funds Results

The State ended December 2015 with a closing balance of $16.3 billion in State Operating Funds, $6.0 billion above the FY 2016 Enacted Budget Financial Plan projection reflected in the AIS. The higher closing balance reflects the combination of higher tax receipts ($2.7 billion), unanticipated monetary settlements ($1.4 billion), higher miscellaneous receipts ($418 million), lower spending ($1.2 billion), and higher financing from other sources ($387 million).

STATE OPERATING FUNDS RESULTS
April through December 2015
(millions of dollars)

	Initial Plan	Mid-Year Plan	Results	Above/(Below) Variance: Initial Plan	Above/(Below) Variance: Mid-Year Plan
Opening Balance	**9,890**	**9,890**	**9,890**	**0**	**0**
Total Receipts	**66,066**	**69,222**	**70,519**	**4,453**	**1,297**
Taxes:	50,708	52,545	53,383	2,675	838
Personal Income Tax	31,931	33,395	34,021	2,090	626
Consumption / Use Taxes	11,648	11,400	11,472	(176)	72
Business Taxes	4,647	4,853	4,962	315	109
Other Taxes	2,482	2,897	2,928	446	31
Miscellaneous/Federal Receipts	15,358	16,677	17,136	1,778	459
Total Spending	**66,054**	**65,747**	**64,889**	**(1,165)**	**(858)**
Local Assistance	43,851	43,843	42,895	(956)	(948)
Agency Operations (including GSCs)	19,883	19,791	19,882	(1)	91
Debt Service	2,320	2,113	2,111	(209)	(2)
Capital Projects	0	0	1	1	1
Other Financing Sources	**436**	**243**	**823**	**387**	**580**
Change in Operations	**448**	**3,718**	**6,453**	**6,005**	**2,735**
Closing Balance	**10,338**	**13,608**	**16,343**	**6,005**	**2,735**

Through December 2015, total receipts in State Operating Funds were $4.5 billion higher than the FY 2016 Enacted Budget Financial Plan projections. This increase is comprised of higher tax collections ($2.7 billion) and higher miscellaneous receipts ($1.8 billion), including monetary settlements with financial institutions ($1.4 billion) and State Lottery receipts ($126 million).

State Operating Funds spending was $1.2 billion lower than initial projections due mainly to lower spending in local assistance ($956 million) and debt service ($209 million). The local assistance variance is consistent with the General Fund variances described earlier. The debt service variance reflects lower payments resulting from refunding savings. Other financing sources represent the difference between transfers to and from State Operating Funds. Lower than anticipated transfers for capital project initiatives contributed to the variance.

All Governmental Funds Results

The State ended December 2015 with an All Governmental Funds closing balance of $16.2 billion, $6.7 billion above the FY 2016 Enacted Budget Financial Plan projections. Higher receipts ($5.7 billion) and lower spending ($1.0 billion) contribute to the variance.

All GOVERNMENTAL FUNDS RESULTS
April through December 2015
(millions of dollars)

	Initial Plan	Mid-Year Plan	Results	Above/(Below) Variance: Initial Plan	Above/(Below) Variance: Mid-Year Plan
Opening Balance	**9,355**	**9,355**	**9,355**	**0**	**0**
Total Receipts	**106,179**	**109,605**	**111,874**	**5,695**	**2,269**
Taxes:	51,746	53,583	54,434	2,688	851
Personal Income Tax	31,931	33,395	34,021	2,090	626
Consumption / Use Taxes	12,123	11,875	11,961	(162)	86
Business Taxes	5,126	5,332	5,442	316	110
Other Taxes	2,566	2,981	3,011	445	30
Miscellaneous Receipts	18,442	19,795	20,207	1,765	412
Federal Grants	35,991	36,227	37,233	1,242	1,006
Total Spending	**105,987**	**105,506**	**104,943**	**(1,044)**	**(563)**
State Operating Funds:	66,054	65,747	64,889	(1,165)	(858)
Local Assistance	43,851	43,843	42,895	(956)	(948)
Agency Operations (including GSCs)	19,883	19,791	19,882	(1)	91
Debt Service	2,320	2,113	2,111	(209)	(2)
Capital Projects	0	0	1	1	1
Capital Projects Funds	6,594	6,007	6,524	(70)	517
Federal Operating Funds	33,339	33,752	33,530	191	(222)
Other Financing Sources	**(62)**	**(63)**	**(66)**	**(4)**	**(3)**
Change in Operations	**130**	**4,036**	**6,865**	**6,735**	**2,829**
Closing Balance	**9,485**	**13,391**	**16,220**	**6,735**	**2,829**

Through December 2015, total All Funds receipts were $5.7 billion higher than the FY 2016 Enacted Budget Financial Plan projections and include higher tax receipts ($2.7 billion), miscellaneous receipts ($1.8 billion), and Federal grants ($1.2 billion).

The tax and miscellaneous receipts variance is consistent with the explanations described earlier. Higher Federal grants reflects timing-based variances across several agencies, including higher reimbursement for Medicaid ($634 million), the EP ($502 million), capital projects ($487 million), and public assistance ($291 million); which is offset by lower reimbursement for Homeland Security ($459 million) and SUNY ($319 million).

Through December 2015, All Funds spending was $1 billion below FY 2016 Enacted Budget Financial Plan projections. In addition to the State Operating Funds and Capital spending variances described earlier, Federal Operating Funds spending was $191 million higher. The Federal variance reflects higher spending for health care ($304 million) and social services ($261 million), which is partly offset by lower spending for Homeland Security ($352 million) costs due to delays in Federal reimbursement for previous disaster-related costs.

All Governmental Funds Annual Change

All Governmental Funds year-to-date results include a higher opening balance ($5.3 billion), growth in receipts ($5.8 billion), and higher spending ($3.6 billion) compared to the same period in the prior year.

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

	FY 2015 Results	FY 2016 Results	Increase/(Decrease) $	%
Opening Balance	**4,035**	**9,355**	**5,320**	
Total Receipts	**106,028**	**111,874**	**5,846**	**5.5%**
Taxes:	49,740	54,434	4,694	9.4%
Personal Income Tax	30,174	34,021	3,847	12.7%
Consumption / Use Taxes	11,766	11,961	195	1.7%
Business Taxes	5,288	5,442	154	2.9%
Other Taxes	2,512	3,011	499	19.8%
Miscellaneous Receipts	21,415	20,207	(1,208)	-5.6%
Federal Grants	34,873	37,233	2,360	6.8%
Total Spending	**101,311**	**104,943**	**3,632**	**3.6%**
State Operating Funds:	63,644	64,889	1,245	2.0%
Local Assistance	41,496	42,895	1,399	3.4%
Agency Operations (including GSCs)	19,379	19,882	503	2.6%
Debt Service	2,768	2,111	(657)	-23.7%
Capital Projects	1	1	-	0.0%
Capital Projects Funds	5,453	6,524	1,071	19.6%
Federal Operating Funds	32,214	33,530	1,316	4.1%
		-		
Other Financing Sources	**(53)**	**(66)**	**(13)**	
Change in Operations	**4,664**	**6,865**	**2,201**	
Closing Balance	**8,699**	**16,220**	**7,521**	

All Funds tax receipts are $4.7 billion higher, including PIT collections ($3.8 billion) due to stronger withholding, growth in extension payments attributable to tax year 2014, and estimated FY 2015 tax year payments; consumption/use taxes ($195 million) primarily from an increase in taxable purchases subject to the sales and use tax; business taxes ($153 million) based on higher corporate franchise tax gross receipts payments; and other taxes ($499 million) from growth in large estate tax payments and New York City real estate transfer tax payments.

Miscellaneous receipts are $1.2 billion below the prior year due mainly to a larger amount of monetary settlements paid to the State in FY 2015 ($1.3 billion); and a decline in SIF assessment reserves transferred to the State consistent with the terms of FY 2014 enacted legislation ($750 million). These decreases are partly offset by higher receipts from capital project financing sources ($785 million) such as bond proceeds.

The $2.4 billion growth in Federal grants includes health care revenue ($2.1 billion), education ($492 million), capital projects ($237 million), and social services ($225 million); offset by a decline in reimbursement for Homeland Security and emergency services costs ($638 million).

Through December 2015, All Funds spending is $3.6 billion above the prior year, comprised of State Operating Funds ($1.2 billion), Federal Operating Funds ($1.3 billion), and Capital Projects Funds ($1.1 billion).

State Operating Funds local assistance growth includes expected increases in health care ($1.1 billion), education ($806 million) mainly for school aid increases, and social services ($180 million). Higher agency operations' spending includes an additional administrative payroll ($332 million) and budgeted fringe benefit cost increases for pension and health insurance costs ($257 million). The decline in debt service spending from the prior year ($657 million) is largely due to the prepayment of FY 2016 debt service costs in FY 2015 and refunding results.

Federal spending growth includes health care ($1.4 billion), consistent with the impact of the ACA and new health care costs under the EP. Other growth includes education ($518 million) and social services ($192 million). Spending declined in Homeland Security and emergency services costs due to lower disaster-related spending ($689 million).

Growth in capital projects spending is primarily attributable to work associated with the New NY Bridge ($425 million), the Buffalo Billion economic development initiative ($206 million), State Revolving Fund Clean Water activities ($183 million), and the Kosciusko Bridge in New York City ($98 million).

Other Matters Affecting the State Financial Plan

General

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

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 the adherence to spending targets and better positioning the State to address future risks and unanticipated costs, such as economic downturns, unexpected revenue deterioration and unplanned expenditures. In recent years, the State has made 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 impact of: national and international events, ongoing financial instability in the Euro-zone; changes in consumer confidence, oil supplies and oil prices; major terrorist events, hostilities or war; climate change and extreme weather events; potential pandemics; Federal statutory and regulatory changes concerning financial sector activities; changes concerning financial sector bonus payouts, as well as any future legislation governing the structure of compensation; shifts in monetary policy affecting interest rates and the financial markets; financial and real estate market developments which may adversely affect bonus income and capital gains realizations; the effect of household debt reduction on consumer spending and State tax collections; and the outcome of litigation and other claims affecting the State.

Among other factors, the Updated Financial Plan is subject to various other uncertainties and contingencies relating to: wage and benefit increases for State employees that exceed projected annual costs; changes in the size of the State's workforce; the realization of the projected rate of return for pension fund assets and current assumptions with respect to wages for State employees affecting the State's required pension fund contributions; the willingness and ability of the Federal government to provide the aid expected in the Updated Financial Plan; the ability of the State to implement cost reduction initiatives, including reductions in State agency operations, and the success with which the State controls expenditures; and the ability of the State and its

public authorities to market securities successfully in the public credit markets. Some of these issues are described in more detail herein. The projections and assumptions contained in the Updated Financial Plan are subject to revisions which may result in substantial change. No assurance can be given that these estimates and projections, which depend in part upon actions the State expects to be taken but which are not within the State's control, will be realized.

Budget Risks and Uncertainties

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

The Updated Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the 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 FY 2014 Enacted Budget, FY 2015 Enacted Budget and FY 2016 Enacted Budget authorized spending for School Aid to increase above the growth in personal income that would otherwise be used to calculate the school year increases. The FY 2017 Executive Budget Financial Plan reflects the proposed increase to School Aid of 4.3 percent, compared to the personal income indexed rate of 3.9 percent.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Updated Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in the Department of Health ("DOH") State Funds Medicaid spending to the levels estimated in the Updated Financial Plan. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

The forecast contains specific transaction risks and other uncertainties including, but not limited to: the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan, and the achievement of cost-saving measures including, but not limited to, the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year or future years. With respect to the level of revenues projected in the Updated Financial Plan associated with newly authorized gaming activity in the State, there is an estimated $151 million in total payments to the State required of three casino awardees by March 31, 2016, but due to the timing of this transaction, such payments may not be recognized as receipts by the end of FY 2016 as currently projected.

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

Since January 1, 2014, in accordance with provisions of the ACA, New York State has been eligible for enhanced Federal Medical Assistance Percentage ("FMAP") 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 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 Federal government default in the future are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

development projects. Additionally, the market for and market value of outstanding municipal obligations, including municipal obligations of the State, could be adversely affected.

Affordable Care Act - 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 Affordable Care Act. 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 still 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)

For the contract period FY 2012 - FY 2015, the State has settled collective bargaining agreements with 99 percent of the State workforce subject to direct Executive control. Seven-year agreements through FY 2018 were achieved for officers in the Division of State Police represented by the Police Benevolent Association of the New York State Troopers ("NYSPBA") in two distinct bargaining units: the Commissioned/Non-Commissioned Officers ("CO/NCO") unit and the Troopers unit. The estimated costs of salary increases associated with NYSPBA agreements, inclusive of fringe benefit costs, are $41 million in FY 2016; $28 million in FY 2017; and $34 million in fiscal years subsequent to FY 2017. These costs are partially offset by health benefit savings resulting from increases to employee/retiree premium shares, co-pays, out-of-pocket deductibles and coinsurance.

Five-year agreements with employees represented by the Civil Service Employees Association ("CSEA"), the 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") will expire at the end of FY 2016. Employees represented by the Public Employees Federation ("PEF") and NYSPBA negotiated four-year agreements that expired at the end of FY 2015.

In FY 2015, general salary increases of 2 percent were provided to all employees with settled agreements. In FY 2016, another 2 percent increase was provided to employees with five-year agreements. The Division of State Police Troopers and CO/NCO also received a 2 percent increase in FY 2016, and will receive 1.5 percent increases in FY 2017 and FY 2018, respectively.

The union representing State Police Investigators has no contract in place for the period April 2011 forward. The PEF- and NYSPBA-represented employees have no contracts in place for the period April 2015 forward. The State is currently engaged in collective bargaining with these unions.

Minimum Wage Increase

The Governor has proposed a phase-in schedule to raise the minimum wage to $15 an hour for State employees, including SUNY. Given existing and expected salary levels for State employees, DOB does not expect this change will have a material impact on State costs.

Pension Amortization[5]

Background

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

In FY 2015, the State made a total pension payment to the New York State and Local Retirement System ("NYSLRS") of $1.7 billion and amortized $619.5 million (the maximum amount legally allowable). The total payment included an additional $18.8 million to pay off the 2006 amortization cost. In addition, the State's OCA made a total pension payment of $268 million and amortized $93.6 million (the maximum amount legally allowable). This included an additional $21 million to pay off the 2011 retirement incentive liability. The total deferred amount of the FY 2015 pension payment — $713.1 million — will be repaid with interest over the next ten years, with the final payment being made in FY 2025.

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.

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 percent per year. When the average normal rate is more than

[5] 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 document, under the section entitled "State Retirement System" was furnished solely by OSC.

1 percent greater than the graded rate, the use of the amortization program reduces the portion of the normal contribution that is payable immediately. The balance of the normal contribution may be amortized. However, when the graded rate equals or exceeds the normal average rate, amortization is not allowed. Additionally, when the graded rate is more than 1 percent 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.

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.

In 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 estimate of $2.1 billion that is reflected in the Updated Financial Plan incorporates the estimate prepared by the Comptroller's Office in October, includes payment of prior amortizations in the amount of $432 million, and also reflects additional interest savings by acceleration of the non-Judiciary pension payment to April 2016 as part of the Executive Budget proposal. The total payment estimates are inclusive of both the non-Judiciary and Judiciary components.

The following table provides the aggregate pension costs across all the various systems associated with State employees: i) ERS for both the Executive Branch and the 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	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
AMORTIZATION THRESHOLDS (Graded Rate)										
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.1	15.1	14.6	14.8
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	23.8	23.3	23.5
STATEWIDE PENSION PAYMENTS	**1,470**	**1,696**	**1,601**	**2,086**	**2,118**	**2,209**	**2,370**	**2,480**	**2,488**	**2,546**
Gross Pension Costs	1,633	2,140	2,192	2,744	2,438	2,170	1,938	2,048	2,056	2,114
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(353)	0	0	0	0
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	393	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]
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(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	1,966.5	(353.1)	389.9	2,003.3
2017	1,715.5	0.0	431.7	2,147.2
2018	1,821.8	0.0	431.7	2,253.5
2019	1,825.4	0.0	431.7	2,257.1
2020	1,878.0	0.0	431.7	2,309.7
2021	1,911.4	0.0	431.7	2,343.1
2022	1,977.8	0.0	399.4	2,377.2
2023	1,993.5	0.0	330.9	2,324.4
2024	2,009.1	0.0	239.7	2,248.8
2025	2,024.4	0.0	126.1	2,150.5
2026	2,039.6	0.0	41.8	2,081.4
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

[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, are enrolled in the 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 projected annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 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, 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 Updated Financial Plan. The State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis.

There is no provision in the Updated Financial Plan to fund the 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"), Civil Service and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices.

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 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 Updated Financial Plan. For more information, see the section entitled "Litigation and Arbitration" later in this AIS Update.

Update on Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms 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, the MTA, and New York State localities may receive approximately one-half of this amount over the coming years for response, recovery, and mitigation costs. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.

Climate Change Adaptation

Climate change 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 fiscal 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.

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, among other things, be subject to prevailing market conditions. Future developments in the financial markets, including possible changes in Federal tax law relating to the taxation of interest on municipal bonds, as well as future developments concerning the State and public discussion of such developments, generally may affect the market for outstanding State-supported and State-related debt.

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. 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 $4.4 billion in FY 2016 to $189 million in FY 2020. This includes the estimated impact of the bond-financed portion of proposed 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	1,142,275	4.00%	45,691	41,288	4,403	3.61%	0.39%	9,590	50,878
FY 2017	1,195,907	4.00%	47,836	44,944	2,892	3.76%	0.24%	8,285	53,230
FY 2018	1,256,498	4.00%	50,260	48,738	1,522	3.88%	0.12%	6,922	55,660
FY 2019	1,320,585	4.00%	52,823	52,193	630	3.95%	0.05%	5,870	58,063
FY 2020	1,384,080	4.00%	55,363	55,174	189	3.99%	0.01%	4,948	60,123
FY 2021	1,448,554	4.00%	57,942	57,358	584	3.96%	0.04%	3,477	60,835

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	153,743	5.00%	7,687	4,087	3,600	2.66%	2.34%	1,339	5,426
FY 2017	152,915	5.00%	7,646	4,439	3,206	2.90%	2.10%	990	5,429
FY 2018	157,233	5.00%	7,862	4,901	2,960	3.12%	1.88%	1,397	6,298
FY 2019	159,885	5.00%	7,994	5,405	2,590	3.38%	1.62%	1,372	6,776
FY 2020	163,971	5.00%	8,199	5,868	2,330	3.58%	1.42%	1,356	7,224
FY 2021	170,971	5.00%	8,549	6,244	2,304	3.65%	1.35%	1,192	7,436

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for the cost of upgrading their primary health care facilities. In the event of 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, 2015, there were approximately $297 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 when $24 million was paid. DASNY also estimates the State will pay debt service costs of approximately $19 million in FY 2016, 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 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.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. Generally, the approved sustainability plan anticipates: a) a significant restructuring of health care service lines at Downstate Hospital in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance from DOH; and b) monetizing the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations. Consistent with the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals ("RFP") to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate.

In 2013, State Supreme Court Judge Demarest, who issued the May 2011 Order, issued, sua sponte, certain additional orders that could have affected the validity of the May 2011 Order. Also, in 2013, State Supreme Court Judge Baynes issued a series of orders that, effectively, precluded SUNY from exiting LICH operations. On February 25, 2014, Judges Demarest and Baynes approved a settlement whereby all parties agreed to discharge their claims, and the judges vacated their orders. Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a new 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 on or before June 30, 2016. However, the New Medical Site must be conveyed with all improvements fully demolished and all environmental issues remediated by Fortis. The external demolition of the buildings has been the subject of a court ordered restraint. As of October 29, 2015, the restraint has been removed. In its efforts to complete the demolition and environmental remediation, Fortis has continued to deal with challenges raised by adjoining property owners and community groups. It is possible that continuing and new challenges may delay the NMS Closing.

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, 2016, the Director of the Budget and all Secretaries of the Senate Finance and Assembly Ways and Means Committees, issued a joint report containing a consensus forecast for the economy and projections of receipts for the current and ensuing fiscal year. In the consensus forecast report, the parties agreed that receipts over the two-year period (FYs 2016 and 2017) were projected to exceed the Executive Budget forecast by $225 million. The consensus forecast is not reflected in the Updated Financial Plan.

Financial Plan Projections - Fiscal Years 2017 through 2020

Introduction

This section presents the State's multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of revisions to the FY 2016 Enacted Budget Financial Plan described in this AIS Update. This section includes projections for FY 2016 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 overall estimated tax receipts before their diversion among various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends and forecast assumptions, by factoring out the distorting effects of earmarking certain tax receipts.

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

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

Summary

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

The surplus projections for FY 2018 and thereafter set forth in the Updated 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 in the Updated Financial Plan tables as "Adherence to 2 percent Spending Benchmark." While surplus projections reflect the savings estimated from adherence to the 2 percent spending benchmark, disbursement totals in the Updated Financial Plan tables and discussion do not assume these savings. If the State does not adhere to the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, and FY 2019, budget gaps may result in these years.

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

GENERAL FUND PROJECTIONS
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes (After Debt Service)	63,247	65,388	68,229	69,156	72,332
Miscellaneous Receipts/Federal Grants	5,820	2,642	2,522	2,561	2,390
Other Transfers	1,227	753	718	716	701
Total Receipts	**70,294**	**68,783**	**71,469**	**72,433**	**75,423**
DISBURSEMENTS					
Local Assistance Grants	44,153	45,427	47,724	50,123	52,716
School Aid	20,049	20,703	22,005	23,211	24,559
Medicaid/EP	12,196	12,629	13,141	13,771	14,474
All Other	11,908	12,095	12,578	13,141	13,683
State Operations	8,222	8,234	8,644	8,565	8,699
Personal Service	6,139	6,025	6,126	6,221	6,269
Non-Personal Service	2,083	2,209	2,518	2,344	2,430
General State Charges	5,188	5,472	5,825	6,048	6,424
Transfers to Other Funds	15,020	11,503	10,509	10,939	11,318
Debt Service	1,282	725	1,304	1,218	1,108
Capital Projects	6,148	3,759	2,105	2,228	2,543
State Share of Mental Hygiene Medicaid	2,159	1,433	1,301	1,238	1,127
SUNY Operations	998	985	997	997	997
All Other	4,433	4,601	4,802	5,258	5,543
Total Disbursements	**72,583**	**70,636**	**72,702**	**75,675**	**79,157**
Adherence to 2% Spending Benchmark[1]	**n/a**	**n/a**	**1,643**	**3,227**	**4,568**
Use (Reservation) of Fund Balance:	**2,289**	**1,853**	**112**	**113**	**114**
Community Projects Fund	14	16	(1)	0	0
Possible CUNY Labor Agreement	0	(240)	0	0	0
Prior-Term Labor Agreements	35	15	0	0	0
Undesignated Fund Balance	190	0	0	0	0
Monetary Settlements[2]	2,050	2,062	113	113	114
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**522**	**98**	**948**

[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, budget gaps may result.

[2] FY 2016 and FY 2017 reflects transfers from the General Fund to the Dedicated Infrastructure Investment Fund ($4.55 billion in FY 2016 and $1.84 billion in FY 2017); the mental hygiene account for Federal disallowance repayment ($850 million in FY 2016); and the Environmental Protection Fund ($120 million in FY 2017).

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
RECEIPTS					
Taxes	73,715	76,340	79,184	80,670	84,279
Miscellaneous Receipts/Federal Grants	21,621	18,635	18,666	19,043	18,643
Total Receipts	**95,336**	**94,975**	**97,850**	**99,713**	**102,922**
DISBURSEMENTS					
Local Assistance Grants	63,032	64,328	66,412	69,110	71,409
School Aid (School Year Basis)	23,233	24,224	25,311	26,597	27,950
DOH Medicaid	17,480	18,038	18,490	19,113	19,699
Transportation	4,797	4,990	5,056	5,118	5,217
STAR	3,337	3,228	2,916	2,804	2,696
Higher Education	2,982	2,650	2,616	2,667	2,692
Social Services	2,921	2,870	3,025	3,194	3,202
Mental Hygiene	2,636	2,513	3,000	3,310	3,490
All Other[1]	5,646	5,815	5,998	6,307	6,463
State Operations	18,478	18,476	18,960	19,032	19,196
Personal Service	12,957	12,809	12,963	13,152	13,253
Non-Personal Service	5,521	5,667	5,997	5,880	5,943
General State Charges	7,326	7,636	8,055	8,354	8,786
Pension Contribution	2,209	2,370	2,480	2,488	2,546
Health Insurance (Active Employees)	2,187	2,337	2,472	2,633	2,805
Health Insurance (Retired Employees)	1,292	1,373	1,452	1,546	1,647
All Other	1,638	1,556	1,651	1,687	1,788
Debt Service	5,452	5,455	6,312	6,791	7,238
Capital Projects	1	3	2	0	0
Total Disbursements	**94,289**	**95,898**	**99,741**	**103,287**	**106,629**
Net Other Financing Sources/(Uses)	(3,003)	(799)	1,093	916	647
Adherence to 2% Spending Benchmark[2]	**n/a**	**n/a**	**1,643**	**3,227**	**4,568**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	1,956	1,722	(323)	(471)	(560)
General Fund	2,289	1,853	112	113	114
Special Revenue Funds	(249)	(43)	(328)	(497)	(521)
Debt Service Funds	(84)	(88)	(107)	(87)	(153)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**522**	**98**	**948**

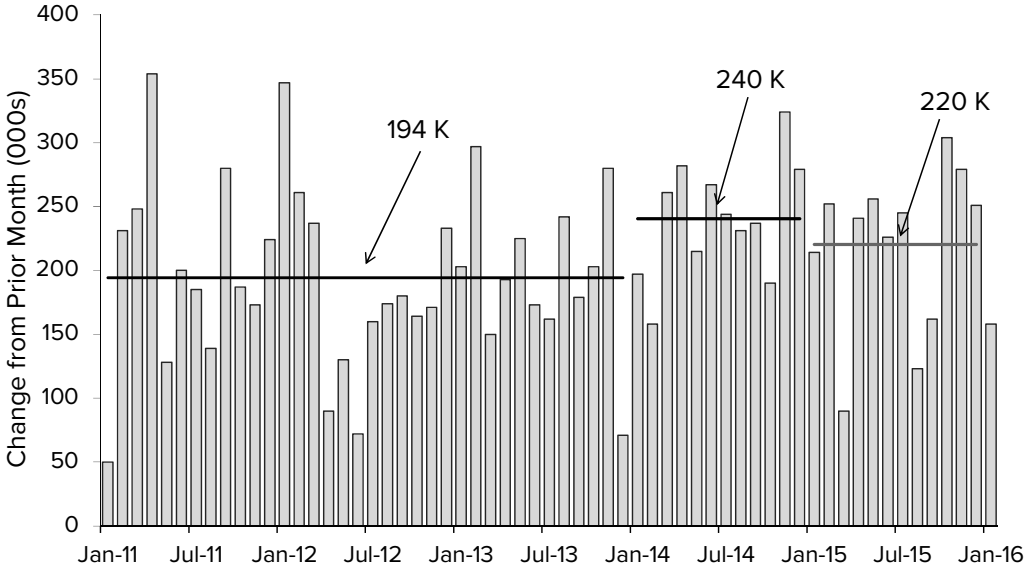
[1] All Other includes other education, parks, environment, economic development, public safety, and reconciliation between the basis for school year and State fiscal year spending on School aid.

[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, budget gaps may result.

Economic Outlook

The U.S. economy ended 2015 on a weak note. The dollar has strengthened, exports and business investment are weak, equity markets are experiencing a correction[6], and the 10-year Treasury yield is nearing lows not seen since 2012. Based on the U.S. Bureau of Economic Analysis's initial estimate, the U.S. economy, as measured by real U.S. Gross Domestic Product (GDP), expanded at a rate of only 1.0 percent in the fourth quarter of calendar year 2015, resulting in growth of 2.4 percent for the entire year. Meanwhile, the most recent data suggest that the first quarter of calendar year 2016 will likely post growth of about 2 percent. These developments further reduce prospects for a significant acceleration in growth over the near-term and suggest that the next Federal Reserve rate hike may not occur for a number of months. DOB is now projecting economic growth of 2.0 percent for 2016.

U.S. Private Sector Employment Gains Have Slowed



Source: Moody's Analytics.

While other economic indicators have stagnated, the national labor market provides evidence that the U.S. economy continues to expand. Private sector job gains for January 2016 were 158,000, although this represents a drop from the October 2015 peak of 304,000. Whether this decline in momentum represents a trend or mere volatility remains to be seen. Total nonagricultural employment growth is expected at 1.8 percent for 2016, down from 2.1 percent growth in 2015.

[6] An equity market correction is defined as a decline in an equity market index value of at least 10 percent, but less than 20 percent. As of February 11, 2016, the S&P 500 index was down 13.5 percent from its July 21, 2015 peak.

Consistent with slower growth in the labor market and equity market volatility, household spending growth is also expected to slow in the upcoming months. Although the most recent data indicate that households are spending at least part of the $80 billion in estimated savings from lower gasoline prices, there is evidence that light vehicle sales may have peaked in the fall of 2015. As a result, real projected growth in household consumption is projected at 2.6 percent for 2016, following 3.1 percent growth in 2015.

Although the current expansion is expected to extend well beyond its seventh year, those areas of the U.S. economy that are the most exposed to global demand or the decline in energy prices are contracting. These include the nation's manufacturing sector outside of autos and the energy mining and extraction industries. According to the ISM Purchasing Managers' Index, U.S. manufacturing activity has contracted for four consecutive months since October 2015. With oil prices dropping below $30 per barrel in the middle of January 2016, the U.S. oil rig count was down 62 percent in January 2016 on a year-ago basis and real investment in structures related to mining exploration and shafts and wells continues to fall. Moreover, equipment investment in mining, oilfield and gas field machinery is also in decline. DOB estimates that real growth in non-residential fixed investment will weaken further to 2.4 percent in 2016, following 2.9 percent growth in 2015.

Despite slowing elsewhere in the economy, the housing market has remained resilient. Housing starts exhibited monthly average growth of 1.1 percent over the course of 2015, a further improvement from the 0.9 percent observed for 2014. However, multi-family construction continues to outpace single-family starts, implying a more limited benefit to the rest of the economy than observed in prior housing cycles. DOB projects real residential investment growth of 7.6 percent for 2016, following 8.7 percent growth in 2015.

The continued appreciation of the U.S. dollar combined with weak global growth, is resulting in continued weak real export growth. A trade-weighted index of the value of the dollar, adjusted for relative differences in the rate of inflation across countries, indicates a 12.6 percent increase over the course of 2015 compared with 2014, and the dollar has continued to appreciate in 2016. As a result, real export growth is expected to deteriorate further. The actions taken by the European and Chinese central banks are expected to spur growth, but monetary policy impacts are expected to occur with a lag. Growth in neither the euro-area nor China is expected to accelerate in the short-term. Estimated real U.S. export growth is expected to be 1.3 percent for 2016, following 1.1 percent growth in 2015.

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

	2015 (Actual)	2016 (Forecast)	2017 (Forecast)
Real U.S. Gross Domestic Product	2.4	2.0	2.4
Consumer Price Index (CPI)	0.1	1.0	2.1
Personal Income	4.5	4.4	4.8
Nonagricultural Employment	2.1	1.8	1.5

Source: Moody's Analytics; DOB staff estimates.

DOB estimates consumer price inflation of 1.0 percent for 2016. Given a stronger U.S. dollar, weakness in the domestic market, expected job gains, and greater financial market volatility, it is expected that the Federal Reserve is now more likely to wait at least until the second quarter of 2016 to increase its federal funds rate target.

There are significant risks to DOB's national economic forecast. If the recovery of the euro-area economy is even slower than expected or China's economic growth even slower than expected, the implications for emerging markets and the global economy will be negative, and will likely result in even slower export and corporate profits growth than reflected in this forecast, and could possibly result in declines. This impact would reverberate through U.S. labor and financial markets, resulting in slower growth than now projected. If the labor market should slow significantly and domestic demand decelerate further than anticipated, the economy could slow further. In contrast, if the actions of central banks around the globe to stimulate their economies, which have included negative interest rates, succeed in stimulating their economies more quickly than expected, exports, profits, and equity market growth could be stronger than projected. Finally, when the expansion eventually strengthens, the response of both domestic and global financial markets to the unwinding of the Federal Reserve's unprecedentedly accommodative policies will continue to pose a risk, particularly given the lack of experience upon which to draw.

The New York State Economy

The State's private sector labor market continues to exhibit strength, despite a softening in the national and global labor markets. The most recent detailed data indicate continued robust growth in professional and business services, transportation and warehousing, construction and real estate services, and education. As a result, DOB's outlook for private sector job growth for 2016 is 1.5 percent, following strong growth of 2.1 percent for 2015. Total employment growth for 2015 and 2016 are projected at 1.8 percent and 1.3 percent, respectively.

Given the continued strength in job growth, estimated non-bonus wage growth is projected at 4.4 percent for FY 2016. However, bonus payouts for the 2015-16 bonus season now in progress appear to be weak. Moreover, the ongoing equity market correction is expected to weigh heavily on bonus payouts for the FY 2017 bonus season. As a result, estimated finance and insurance sector bonus growth for FY 2016 and FY 2017 are expected to decline by 2.5 percent and grow by 3.9 percent, respectively. Wage growth for FY 2016 is projected at 4.0 percent.

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

	FY 2015 (Actual)	FY 2016 (Estimated)	FY 2017 (Forecast)
Personal Income	3.5	4.3	4.8
Wages	4.4	4.0	4.3
Nonagricultural Employment	1.9	1.7	1.3

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

The performance of the State's private-sector labor market remains robust, but there are significant risks to the forecast. All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. If the current equity market correction proves to be deeper than anticipated, bonus payouts for the 2016-17 bonus season could be much lower than projected. Moreover, under the still evolving regulatory environment, the pattern of Wall Street bonus payouts continues to shift, with payments now more widely dispersed throughout the year. Taxable payouts can represent both current-year awards and deferred payments from prior years, with the deferral ratio itself proving to be unstable. As a result, the uncertainty surrounding bonus projections continues to mount. Recent events also have demonstrated how sensitive financial markets can be to shifting expectations surrounding energy prices, Federal Reserve policy, and global growth. Financial market volatility is likely to have a larger impact on the State economy than on the nation as a whole. Should financial and real estate markets be either weaker or stronger than DOB expects, taxable capital gains realizations could be correspondingly affected.

All Funds Receipts Projections

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).

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
Personal Income Tax	43,709	47,093	7.7%	49,960	6.1%	51,743	3.6%	52,419	1.3%	54,873	4.7%
Consumption/Use Taxes	15,384	15,640	1.7%	16,135	3.2%	16,863	4.5%	17,452	3.5%	18,007	3.2%
Business Taxes	8,504	8,406	-1.2%	8,018	-4.6%	8,324	3.8%	8,450	1.5%	8,869	5.0%
Other Taxes	2,166	2,613	20.6%	2,124	-18.7%	2,116	-0.4%	2,134	0.9%	2,234	4.7%
Payroll Tax	1,271	1,331	4.7%	1,388	4.3%	1,455	4.8%	1,528	5.0%	1,609	5.3%
Total State Taxes	**71,034**	**75,083**	**5.7%**	**77,625**	**3.4%**	**80,501**	**3.7%**	**81,983**	**1.8%**	**85,592**	**4.4%**
Miscellaneous Receipts	29,438	26,333	-10.5%	24,159	-8.3%	24,481	1.3%	25,019	2.2%	24,610	-1.6%
Federal Receipts	48,636	52,328	7.6%	51,133	-2.3%	52,254	2.2%	52,883	1.2%	53,771	1.7%
Total All Fund Receipts	**149,108**	**153,744**	**3.1%**	**152,917**	**-0.5%**	**157,236**	**2.8%**	**159,885**	**1.7%**	**163,973**	**2.6%**

All Funds receipts in FY 2016 are projected to total $153.7 billion, an increase of 3.1 percent from FY 2015 results. State tax receipts are expected to increase 5.7 percent in FY 2016 from FY 2015 results. The increase in PIT receipts is due to strong growth from a low prior year base that was influenced by 2013 Federal tax law changes, while the strong growth in other taxes is the result of an atypical number of large estate tax payments as well as strong growth in real estate transfer taxes. The miscellaneous receipts decline in FY 2016 is primarily due to the substantial decline in monetary settlement payments from financial institutions. In addition, the FY 2016 General Fund total includes a $250 million deposit from the SIF reserve released in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is a decrease of

$750 million from the amount of the reserve released in FY 2015. In other State funds, FY 2016 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

Consistent with the projected growth in the New York economy, the personal income and consumption/use tax categories are expected to grow. Business taxes and other taxes are expected to display near term declines due to tax cuts and reforms enacted in 2014, but resume growth in the long term.

After controlling for the impact of tax law changes, base tax revenue increased 4.1 percent in FY 2015, and is projected to increase by 5.6 percent for FY 2016 and 3.7 percent for FY 2017.

Personal Income Tax

PERSONAL INCOME TAX
(millions of dollars)

	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**43,709**	**47,093**	**7.7%**	**49,960**	**6.1%**	**51,743**	**3.6%**	**52,419**	**1.3%**	**54,873**	**4.7%**
Gross Collections	52,248	56,719	8.6%	59,194	4.4%	62,180	5.0%	63,858	2.7%	67,590	5.8%
Refunds (Incl. State/City Offset)	(8,539)	(9,626)	-12.7%	(9,234)	4.1%	(10,437)	-13.0%	(11,439)	-9.6%	(12,717)	-11.2%
GENERAL FUND[1]	**29,485**	**31,983**	**8.5%**	**34,242**	**7.1%**	**35,891**	**4.8%**	**36,510**	**1.7%**	**38,459**	**5.3%**
Gross Collections	52,248	56,719	8.6%	59,194	4.4%	62,180	5.0%	63,858	2.7%	67,590	5.8%
Refunds (Incl. State/City Offset)	(8,539)	(9,626)	-12.7%	(9,234)	4.1%	(10,437)	-13.0%	(11,439)	-9.6%	(12,717)	-11.2%
STAR	(3,297)	(3,337)	-1.2%	(3,228)	3.3%	(2,916)	9.7%	(2,804)	3.8%	(2,696)	3.9%
RBTF	(10,927)	(11,773)	-7.7%	(12,490)	-6.1%	(12,936)	-3.6%	(13,105)	-1.3%	(13,718)	-4.7%

[1]Excludes Transfers.

All Funds personal income tax receipts for FY 2016 are projected to be $47.1 billion, an increase of $3.4 billion (7.7 percent) from FY 2015 results. This increase includes growth in withholding, estimated payments attributable to the 2015 tax year, and extension payments attributable to the 2014 tax year. Growth is offset by a modest decline in delinquency collections and a substantial increase in total refunds due to a combination of payment timing and the increased cost of the Real Property Tax Freeze credit compared to FY 2015.

Withholding in FY 2016 is estimated to be $1.8 billion (5.2 percent) higher than FY 2015, due mainly to moderate wage growth. Extension payments are estimated to increase by $1.2 billion (34.6 percent), primarily due to strong growth in tax year 2014 nonwage income compared to a weak tax year 2013 base (resulting from 2013 Federal tax law changes). Estimated payments for tax year 2015 are projected to be $1.2 billion (11.4 percent) higher. Final return payments and delinquencies are projected to be $427 million (19.4 percent) higher and $100 million (7.2 percent) lower, respectively.

The following table summarizes, by component, actual receipts for FY 2015 and forecast amounts through FY 2020.

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

	FY 2015 Results	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts						
Withholding	34,907	36,706	38,525	40,038	41,970	44,333
Estimated Payments	13,743	16,088	16,591	17,854	17,397	18,568
Current Year	10,367	11,545	12,045	12,783	11,880	12,989
Prior Year[1]	3,376	4,543	4,546	5,071	5,517	5,579
Final Returns	2,206	2,633	2,720	2,891	3,034	3,168
Current Year	254	274	280	292	292	292
Prior Year[1]	1,952	2,359	2,440	2,599	2,742	2,876
Delinquent	1,392	1,292	1,358	1,397	1,457	1,521
Gross Receipts	52,248	56,719	59,194	62,180	63,858	67,590
Refunds						
Prior Year[1]	4,961	5,140	5,322	6,877	7,350	8,330
Previous Years	458	648	718	669	694	724
Current Year[1]	1,950	2,550	1,750	1,750	1,750	1,750
Advanced Credit Payment	579	600	756	453	957	1,324
State/City Offset[1]	591	688	688	688	688	589
Total Refunds	8,539	9,626	9,234	10,437	11,439	12,717
Net Receipts	**43,709**	**47,093**	**49,960**	**51,743**	**52,419**	**54,873**

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

The projected increase in total refunds of $1.1 billion (12.7 percent) includes $179 million (3.6 percent) in prior (tax year 2014) refunds, $190 million (41.5 percent) in previous (tax year 2013 and earlier) refunds, $600 million (30.8 percent) in current (tax year 2015) refunds (due to an increase in the January to March 2016 administrative refund cap to $2.25 billion), $21 million (3.6 percent) in accelerated credit payments related to tax year 2015, and $97 million (16.4 percent) in state-city offsets. The increase in prior (tax year 2014) refunds includes payments attributable to the first year of the Enhanced Real Property Tax Circuit Breaker credit. The increase in advanced credit payments is attributable to the first year of the municipal tax component and the second year of the school tax component of the Real Property Tax Freeze credit, partially offset by the change in payment timing of the Family Tax Relief credit from an advanced payment credit to a "standard" 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 2016 of $32 billion are estimated to increase by $2.5 billion (8.5 percent) from FY 2015 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 $3.3 billion.

All Funds PIT receipts for FY 2017 of $50 billion are projected to increase by $2.9 billion (6.1 percent) from the FY 2016 estimate. This primarily reflects increases of $1.8 billion (5 percent) in withholding and $500 million (4.3 percent) in estimated payments related to tax year 2016, coupled with a $392 million (4.1 percent) decrease in total refunds. The growth in withholding is the result of projected wage growth of 4.3 percent. Near flat growth in extension payments reflects tax year 2015 nonwage income growth that is projected to be substantially weaker than in tax year 2014. The decline in total refunds is driven by an $800 million (31.4 percent) decline in current refunds related to tax year 2016 (i.e., the administratively determined refund "cap" between January and March 2017). . Payments from final returns are expected to increase $87 million (3.3 percent), while delinquencies are projected to increase $66 million (5.1 percent) from the prior year. The FY 2017 Executive Budget proposal to extend tax shelter reporting will increase projected receipts from estimated payments related to tax year 2016 by $18 million.

General Fund PIT receipts for FY 2017 of $34.2 billion are projected to increase by $2.3 billion (7.1 percent). RBTF deposits are projected to be $12.5 billion, and the STAR transfer is projected to be $3.2 billion.

All Funds PIT receipts of $51.7 billion in FY 2018 are projected to increase $1.8 billion (3.6 percent) from the prior year. Gross receipts are projected to increase 5 percent, reflecting withholding that is projected to grow by $1.5 billion (3.9 percent) and estimated payments related to tax year 2017 that are projected to grow by $738 million (6.1 percent). The relatively weak growth in withholding is attributable to the scheduled sunset of the current income tax bracket structure at the end of 2017, which includes a decline in the top marginal tax rate from 8.82 percent to 6.85 percent. Payments from extensions for tax year 2016 are projected to increase by $525 million (11.5 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 $1.2 billion (13 percent) from the prior year. Legislative proposals included in the FY 2017 Executive Budget reduce current estimated payments related to tax year 2017 by $258 million, and increase total refunds by $298 million.

General Fund PIT receipts for FY 2018 are projected to increase by $1.6 billion (4.8 percent) to $35.9 billion.

All Funds PIT receipts are projected to increase by $676 million (1.3 percent) in FY 2019 to reach $52.4 billion, while General Fund PIT receipts are projected to total $36.5 billion. Projected tempered growth in FY 2019 receipts is due to the aforementioned expiration of the current income tax bracket structure at the end of 2017. The All Funds PIT receipts projection for FY 2019 includes Executive Budget proposals that reduce collections by $1 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**15,384**	**15,640**	**1.7%**	**16,135**	**3.2%**	**16,863**	**4.5%**	**17,452**	**3.5%**	**18,007**	**3.2%**
Sales Tax	12,991	13,318	2.5%	13,877	4.2%	14,578	5.1%	15,199	4.3%	15,790	3.9%
Cigarette and Tobacco Taxes	1,314	1,224	-6.8%	1,226	0.2%	1,192	-2.8%	1,151	-3.4%	1,105	-4.0%
Motor Fuel Tax	487	491	0.8%	488	-0.6%	483	-1.0%	478	-1.0%	475	-0.6%
Highway Use Tax	140	154	10.0%	84	-45.5%	138	64.3%	140	1.4%	141	0.7%
Alcoholic Beverage Taxes	251	254	1.2%	258	1.6%	263	1.9%	268	1.9%	273	1.9%
Medical Marihuana Excise Tax	0	1	0.0%	4	0.0%	4	0.0%	4	0.0%	4	0.0%
Taxicab Surcharge	82	72	-12.2%	70	-2.8%	70	0.0%	70	0.0%	70	0.0%
Auto Rental Tax	119	126	5.9%	128	1.6%	135	5.5%	142	5.2%	149	4.9%
GENERAL FUND[1]	**6,691**	**6,781**	**1.3%**	**7,089**	**4.5%**	**7,424**	**4.7%**	**7,712**	**3.9%**	**7,983**	**3.5%**
Sales Tax	6,084	6,220	2.2%	6,483	4.2%	6,816	5.1%	7,109	4.3%	7,386	3.9%
Cigarette and Tobacco Taxes	356	307	-13.8%	348	13.4%	345	-0.9%	335	-2.9%	324	-3.3%
Alcoholic Beverage Taxes	251	254	1.2%	258	1.6%	263	1.9%	268	1.9%	273	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2016 are estimated to exceed $15.6 billion, an increase of $254 million (1.7 percent) from FY 2015 results. Sales tax receipts are estimated to increase $325 million (2.5 percent) from FY 2015, resulting from 3.7 percent base (i.e., absent law changes) growth, stemming from moderate projected disposable income growth. Cash results are reduced by (1) an accounting shift from State to local sales tax ($238 million), and (2) 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 ($47 million). 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 $90 million (6.8 percent), primarily reflecting large declines in taxable cigarette consumption (particularly in New York City) and cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Motor fuel tax collections are expected to increase $4 million (0.8 percent), reflecting an expected decline in refunds combined with minor growth in gasoline and diesel consumption, partially offset by an expected decline in audit collections. Taxicab receipts are estimated to decline by $10 million (12.5 percent) as the result of consumers choosing alternative transportation services not subject to the tax.

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 2016 are estimated to total $6.8 billion, an increase of $90 million (1.3 percent) from FY 2015 results. This increase largely reflects the All Funds sales, cigarette, and tobacco tax trends noted above.

All Funds consumption/use tax receipts for FY 2017 are projected to be $16.1 billion, an increase of $496 million (3.2 percent) from the prior year. The projected $560 million (4.2 percent) increase in sales tax receipts reflects sales tax base growth of 3.8 percent. Cash receipts are reduced by $178 million due to the agreement noted in the FY 2016 discussion. Highway use tax collections are expected to decline as the result of registration fee refunds by the State following a January 2016 Supreme Court judgment that certain highway use revenue collections were unconstitutional. The Executive Budget includes proposed legislation to implement a re-instituted highway use decal and registration fee collection structure.

General Fund consumption/use tax receipts are projected to total $7.1 billion in FY 2017, a $308 million (4.5 percent) increase from the prior year. The projected increase in sales tax receipts reflects the All Funds trends noted above. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2016 base created by the cigar tax refunds mentioned earlier.

All Funds consumption/use tax receipts are projected to increase to nearly $16.9 billion (4.5 percent growth) in FY 2018 and to nearly $17.5 billion (3.5 percent growth) in FY 2019, 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 over $7.4 billion (4.7 percent growth) in FY 2018 and $7.7 billion (3.9 percent growth) in FY 2019, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**8,504**	**8,406**	**-1.2%**	**8,018**	**-4.6%**	**8,324**	**3.8%**	**8,450**	**1.5%**	**8,869**	**5.0%**
Corporate Franchise Tax	3,548	5,069	42.9%	4,487	-11.5%	4,764	6.2%	4,806	0.9%	5,206	8.3%
Corporation and Utilities Tax	728	767	5.4%	762	-0.7%	757	-0.7%	770	1.7%	783	1.7%
Insurance Tax	1,533	1,557	1.6%	1,484	-4.7%	1,579	6.4%	1,708	8.2%	1,791	4.9%
Bank Tax	1,536	(92)	-106.0%	203	320.7%	190	-6.4%	143	-24.7%	71	-50.3%
Petroleum Business Tax	1,159	1,105	-4.7%	1,082	-2.1%	1,034	-4.4%	1,023	-1.1%	1,018	-0.5%
GENERAL FUND	**6,265**	**6,202**	**-1.0%**	**5,776**	**-6.9%**	**6,087**	**5.4%**	**6,165**	**1.3%**	**6,551**	**6.3%**
Corporate Franchise Tax	2,990	4,325	44.6%	3,703	-14.4%	3,945	6.5%	3,944	0.0%	4,307	9.2%
Corporation and Utilities Tax	577	589	2.1%	579	-1.7%	573	-1.0%	578	0.9%	587	1.6%
Insurance Tax	1,375	1,388	0.9%	1,321	-4.8%	1,407	6.5%	1,521	8.1%	1,597	5.0%
Bank Tax	1,323	(100)	-107.6%	173	273.0%	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%	0	0.0%

All Funds business tax receipts for FY 2016 are estimated at $8.4 billion, a decrease of $98 million (1.2 percent) from FY 2015 results. The estimate primarily reflects a decline of $54 million (4.7 percent) in petroleum business tax ("PBT") receipts, due to declines in the PBT index rates for 2015 and 2016, and a combined decrease of $44 million among all other taxes.

Corporation franchise tax receipts are estimated to increase $1.5 billion (42.9 percent) in FY 2016, reflecting corporate tax reform, which repealed the bank tax and imposed the corporation franchise tax on former bank taxpayers beginning in tax year 2015. An increase in audit collections accounts for $251 million of this increase.

Corporation and utilities tax receipts are expected to increase $39 million (5.4 percent) in FY 2016. Both gross receipts and audits are expected to increase from the prior year, while refunds are expected to return to historical trends.

Insurance tax receipts are expected to increase $24 million (1.6 percent) in FY 2016. Premium growth from authorized insurers is partially offset by taxpayers incorporating the first year of the tax credit for assessments paid into the Life Insurance Guaranty Corporation ("LIGC") into their tax year 2015 final returns/extensions. 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 decrease by $1.6 billion (106 percent) in FY 2016. The decline stems from the movement of tax year 2015 liability payments to the corporate franchise tax and lower audit receipts. Audit receipts are estimated to decline $525 million as several large FY 2015 bank tax cases are not expected to be repeated in FY 2016.

PBT receipts are expected to decrease $54 million (4.7 percent) in FY 2016, primarily due to the 3.2 percent decrease in the PBT rate index effective January 2015 and the 5 percent decrease effective January 2016. These declines are partially offset by minor growth in both estimated gasoline and diesel consumption.

General Fund business tax receipts for FY 2016 of $6.2 billion are estimated to decrease $63 million (1 percent) from FY 2015 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 of $8 billion are projected to decrease $388 million (4.6 percent) from the prior year. The decline in corporation franchise tax receipts of $582 million (11.5 percent) is the result of the decrease in the business income tax rate from 7.1 percent to 6.5 percent, the first year of the capital tax base phase-out (both effective for tax year 2016) and the anticipated use of prior period adjustments in liability year 2016 for the overpayment of tax year 2015 liability. Many former bank taxpayers that are now taxed under the corporation franchise tax have overpayments that are available to use toward current year liability. The corporation and utilities tax receipts decline of $5 million (0.7 percent) reflects lower telecommunications receipts partially offset by a modest increase in utility tax revenue. Insurance tax receipts are projected to decline $73 million (4.7 percent). 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 LIGC. Bank tax receipts are projected to increase by $295 million, primarily the result of a reduced number of prior period adjustments. PBT receipts are expected to decline $23 million (2.1 percent) in FY 2017, primarily due to the 5 percent decrease in the PBT rate index effective January 2016 and the projected 5 percent decline effective January 2017. These declines in the PBT rate index are partially offset by projected slight growth in taxable motor fuel consumption and growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are projected to decrease $426 million (6.9 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 and FY 2019 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 $8.3 billion (3.8 percent growth) in FY 2018, and increase to $8.5 billion (1.5 percent growth) in FY 2019. General Fund business tax receipts are expected to increase to $6.1 billion (5.4 percent growth) in FY 2018 and $6.2 billion (1.3 percent growth) in FY 2019.

Other Taxes

OTHER TAXES
(millions of dollars)

	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE/ALL FUNDS	**2,166**	**2,613**	**20.6%**	**2,124**	**-18.7%**	**2,116**	**-0.4%**	**2,134**	**0.9%**	**2,234**	**4.7%**
Estate Tax	1,109	1,446	30.4%	965	-33.3%	891	-7.7%	855	-4.0%	905	5.8%
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	1,038	1,147	10.5%	1,138	-0.8%	1,204	5.8%	1,258	4.5%	1,308	4.0%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	2	100.0%	3	50.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND[1]	**1,128**	**1,466**	**30.0%**	**986**	**-32.7%**	**912**	**-7.5%**	**876**	**-3.9%**	**926**	**5.7%**
Estate Tax	1,109	1,446	30.4%	965	-33.3%	891	-7.7%	855	-4.0%	905	5.8%
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	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	2	100.0%	3	50.0%	3	0.0%	3	0.0%	3	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2016 are estimated to be more than $2.6 billion, a $447 million (20.6 percent) increase from FY 2015 results. This reflects a $337 million (30.4 percent) increase in estate tax receipts and a $109 million (10.5 percent) increase in real estate transfer tax receipts. The estate tax increase is primarily the result of a higher than anticipated number of super large payments (payments greater than $25 million) partially offset by the impact of the FY 2015 Enacted Budget legislation that raises the filing threshold from $1 million to the Federal exemption (currently $5.43 million) over a four-year period. The real estate transfer tax estimate reflects both an increase in the volume of transactions in New York City in the face of uncertainty surrounding the extension of New York City property tax abatement legislation and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly $1.5 billion in FY 2016, a $338 million (30 percent) increase from FY 2015 results, reflecting the increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2017 are projected to be just over $2.1 billion, a $489 million (18.7 percent) decrease from FY 2016. This largely reflects a projected decline in estate tax receipts of $481 million (33.3 percent) due to the continued phase-in of the increased filing

threshold, and an expected return to historically normal levels of super large payments. Additionally, real estate transfer tax receipts are projected to decrease by $9 million (0.8 percent) due to a small projected decrease in the volume of transactions in New York City, partially offset by year-over-year price growth. The transaction decline is partially due to a building permit shift caused by the legislation noted above.

General Fund other tax receipts are projected to be just under $1 billion in FY 2017, reflecting the decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 are projected to slightly decline, before increasing in FY 2019. These changes reflect a projected decline in estate tax receipts in both FY 2018 and FY 2019 due to the impact of 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 and FY 2019 reflecting projected growth in housing starts and housing prices. All Funds other tax receipts are projected to remain slightly over $2.1 billion in both FY 2018 and FY 2019. General Fund other tax receipts for FY 2018 and FY 2019 are projected to decrease by 7.5 percent and 3.9 percent, respectively, due to the projected decline in estate tax receipts noted above.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS
(millions of dollars)

	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**29,438**	**26,333**	**-10.5%**	**24,159**	**-8.3%**	**24,481**	**1.3%**	**25,019**	**2.2%**	**24,610**	**-1.6%**
General Fund	8,410	5,820	-30.8%	2,642	-54.6%	2,522	-4.5%	2,561	1.5%	2,390	-6.7%
Special Revenue Funds	16,557	15,440	-6.7%	15,680	1.6%	15,821	0.9%	16,163	2.2%	15,936	-1.4%
Capital Projects Funds	3,961	4,585	15.8%	5,382	17.4%	5,673	5.4%	5,834	2.8%	5,825	-0.2%
Debt Service Funds	510	488	-4.3%	455	-6.8%	465	2.2%	461	-0.9%	459	-0.4%

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.

All Funds miscellaneous receipts are projected to total $26.3 billion in FY 2016, a decrease of 10.5 percent from FY 2015 results, primarily due to the one-time monetary settlements received in FY 2015 as described earlier in this AIS Update. Additionally, the SIF reserve released in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget decreased by $750 million from the amount received during the prior year. In other State funds, FY 2016 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, bond proceeds, and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to continue to decrease in FY 2017 and remain relatively flat in FY 2018, mainly due to one-time monetary settlements received in FY 2016, the loss of payments from SIF, and the phase-out of the temporary utility assessment.

FEDERAL GRANTS (millions of dollars)											
	FY 2015 Results	FY 2016 Current	Change	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
ALL FUNDS	**48,636**	**52,328**	**7.6%**	**51,133**	**-2.3%**	**52,254**	**2.2%**	**52,883**	**1.2%**	**53,771**	**1.7%**
General Fund	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	46,531	49,779	7.0%	49,087	-1.4%	50,181	2.2%	50,795	1.2%	51,603	1.6%
Capital Projects Funds	2,030	2,476	22.0%	1,973	-20.3%	2,000	1.4%	2,015	0.8%	2,095	4.0%
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 $53.8 billion by FY 2020, reflecting the continuation of growth in Federal Medicaid spending, 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 $70.6 billion in the State's General Fund (including transfers) and $95.9 billion in total State Operating Funds. Medicaid, education, pension costs, employee and retiree 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.

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 $64.3 billion in FY 2017 and accounts for two-thirds of total State Operating Funds spending. Education and health care spending account for nearly two-thirds of local assistance spending.

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

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

			Forecast			
	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
MEDICAID						
Individuals Covered	6,176,400	6,140,813	6,320,438	6,408,439	6,451,522	6,474,592
- Essential Plan[1]	0	441,223	472,815	476,091	479,390	482,711
- Child Health Plus (Caseload)	278,168	279,837	281,516	283,205	284,904	286,614
State Takeover of County/NYC Costs	$1,701	$2,031	$2,165	$2,162	$2,343	$2,512
- Family Health Plus	$147	$0	$0	$0	$0	$0
- Medicaid	$1,554	$2,031	$2,165	$2,162	$2,343	$2,512
EDUCATION						
SY School Aid (Funding)	$22,189	$23,233	$24,224	$25,311	26,597	27,950
HIGHER EDUCATION						
Public Higher Education Enrollment (FTEs)	573,555	573,555	573,555	573,555	573,555	573,555
Tuition Assistance Program (Recipients)	300,511	301,554	301,869	301,869	301,869	301,869
PUBLIC ASSISTANCE						
Family Assistance Program (Caseload)	253,511	243,642	238,388	235,591	232,955	230,355
Safety Net Program (Families)	117,745	117,682	115,259	113,865	112,561	111,278
Safety Net Program (Singles)	196,966	203,114	203,512	203,920	206,266	208,355
Total Mental Hygiene Community Beds	98,303	100,275	101,401	103,194	103,971	103,991
- OMH Community Beds	40,754	42,518	44,112	45,363	45,716	45,716
- OPWDD Community Beds	41,966	42,536	42,918	43,264	43,668	43,668
- OASAS Community Beds	15,583	15,221	14,371	14,567	14,587	14,607
PRISON POPULATION (CORRECTIONS)	52,854	52,800	52,800	52,800	52,800	52,800

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

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) Basis

School Aid is expected to increase by $991 million (4.3 percent) in school year (SY) 2017. This $991 million increase includes additional Foundation Aid of $266 million and a Gap Elimination Adjustment ("GEA") restoration of $189 million, fully restoring the GEA for approximately 200 higher-need districts. In addition, $100 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 $75 million for the 17 school districts with failing and persistently failing schools. Another $407 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 includes a proposed $28 million for new competitive grants, led by $22 million to expand prekindergarten access for three-year-old children in the most vulnerable school districts. In addition, the Executive Budget Financial Plan reflects the continuation of $340 million in recurring annual funding to support the statewide Universal Full-Day Prekindergarten program.

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	**23,233**	**24,224**	**991**	**25,311**	**1,087**	**26,597**	**1,286**	**27,950**	**1,353**
			4.3%		4.5%		5.1%		5.1%

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

Finally, the Executive Budget Financial Plan maintains the two-year appropriation that continues Education Law provisions in SY 2017. School Aid is projected to increase by an additional $1.09 billion (4.5 percent) in SY 2018.

State Fiscal Year Basis

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

The table below summarizes the multi-year projected funding levels on a State fiscal year basis.

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

	FY 2016 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**23,339**	**24,040**	**3.0%**	**25,311**	**5.3%**	**26,566**	**5.0%**	**27,915**	**5.1%**
General Fund Local Assistance	20,049	20,703	3.3%	22,005	6.3%	23,211	5.5%	24,558	5.8%
Core Lottery Aid	2,219	2,360	6.4%	2,232	-5.4%	2,227	-0.2%	2,224	-0.1%
VLT Lottery Aid	950	961	1.2%	938	-2.4%	895	-4.6%	900	0.6%
Commercial Gaming - VLT Offset	0	0	0.0%	17	0.0%	65	282.4%	65	0.0%
Commercial Gaming	121	16	-86.8%	119	643.8%	168	41.2%	168	0.0%

State fiscal year spending for School Aid is projected to total $24.0 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 "Board") in December 2014, and approved by the State Gaming Commission in December 2015. A fourth casino was recommended by the Board in October 2015. The State expects $121 million from one-time licensing fees to supplement School Aid in FY 2016, and an additional $16 million in one-time licensing fees in FY 2017. 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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,277**	**2,291**	**0.6%**	**2,324**	**1.4%**	**2,429**	**4.5%**	**2,551**	**5.0%**
Special Education	1,446	1,464	1.2%	1,564	6.8%	1,670	6.8%	1,784	6.8%
All Other Education	831	827	-0.5%	760	-8.1%	759	-0.1%	767	1.1%

The State provides a full range of special education services to 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 lunch and breakfast program, 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.

The increase in spending from FY 2016 to FY 2017 is driven primarily by increased State reimbursement to counties for preschool special education programs. In FY 2018, the significant decrease in projected spending for All Other Education is primarily attributable to the expiration of a two-year appropriation provided to non-public schools in June 2015 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 ("STAR") Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. 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 Executive Budget Financial Plan reflects the proposed flat cap on the homeowner's STAR exemption benefit (growth was previously capped at 2 percent). New York City personal income taxpayers with annual incomes over $500,000 are not eligible starting in FY 2016.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,337**	**3,228**	**-3.3%**	**2,916**	**-9.7%**	**2,804**	**-3.8%**	**2,696**	**-3.9%**
Basic Exemption	1,770	1,756	-0.8%	1,671	-4.8%	1,594	-4.6%	1,514	-5.0%
Enhanced (Seniors)	949	943	-0.6%	892	-5.4%	851	-4.6%	810	-4.8%
New York City PIT	618	529	-14.4%	353	-33.3%	359	1.7%	372	3.6%

The projected spending decline is the result of changes to the STAR program which are proposed in the Executive Budget and which will phase in over time. STAR will gradually shift from a spending program into a refundable personal income tax credit, with this shift 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 personal income tax STAR credit into a New York State personal income tax credit, a cap on the annual growth in the exemption benefit (which would be capped at a flat 0 percent as noted above), and by making enrollment in the Income Verification Program mandatory for enhanced beneficiaries.

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

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

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Convert New York City Personal Income Tax STAR Credit to a State Personal Income Tax Credit:					
PIT Receipts	0	(87)	(284)	(286)	(286)
STAR Spending	87	284	286	286	287
Convert the STAR Benefit into a Tax Credit for New Homeowners:					
PIT Receipts	0	(98)	(194)	(290)	(385)
STAR Spending	98	194	290	385	479
Net Financial Plan Impact	**185**	**293**	**98**	**95**	**95**

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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,982**	**2,650**	**-11.1%**	**2,616**	**-1.3%**	**2,667**	**1.9%**	**2,692**	**0.9%**
City University	**1,426**	**1,047**	**-26.6%**	**971**	**-7.3%**	**1,002**	**3.2%**	**1,015**	**1.3%**
Senior Colleges	1,194	809	-32.2%	737	-8.9%	768	4.2%	781	1.7%
Community College	232	238	2.6%	234	-1.7%	234	0.0%	234	0.0%
Higher Education Services	**1,053**	**1,111**	**5.5%**	**1,155**	**4.0%**	**1,175**	**1.7%**	**1,187**	**1.0%**
Tuition Assistance Program	990	1,022	3.2%	1,033	1.1%	1,033	0.0%	1,033	0.0%
Scholarships/Awards	51	77	51.0%	110	42.9%	130	18.2%	142	9.2%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**503**	**492**	**-2.2%**	**490**	**-0.4%**	**490**	**0.0%**	**490**	**0.0%**
Community College	498	488	-2.0%	486	-0.4%	486	0.0%	486	0.0%
Other/Cornell	5	4	-20.0%	4	0.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools that provide 396,000 full- and part-time students with an array of undergraduate, graduate, and first professional educational opportunities. SUNY and CUNY also support 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 (this is not reflected in the 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 government.

In total, State Operating Funds local assistance spending is projected to decline from FY 2016 to FY 2017. This decline is primarily driven by a shared funding proposal between New York City and the State that aligns financial responsibility for CUNY with the City's 30 percent share of control over the CUNY Board of Trustees beginning in July of FY 2017. This shared funding arrangement will drive $393 million in reduced State spending on CUNY senior colleges in FY 2017 and when fully implemented, produce estimated savings of more than $500 million annually. This cost sharing arrangement will enable the State to provide $240 million in funding for retroactive salary increases to ensure fair and affordable agreements with CUNY labor unions.

Partially offsetting this decline is projected growth in student financial aid programs administered by HESC. The TAP program is estimated to increase from FY 2016 to FY 2017 resulting from projected community college tuition rate increases and State support for the DREAM Act. Scholarship and loan forgiveness program spending is also projected to increase, largely the result of increasing enrollment in recent scholarship initiatives such as Science, Technology, Engineering and Math ("STEM") and Get On Your Feet Loan Forgiveness Program.

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 approximately $8 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. The Executive 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. Certain administrative costs and changes in the Federal or local shares are not subject to this index.

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**	**19,339**
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, as well as increased Federal financial participation pursuant to the ACA that became effective in January 2014. State share Medicaid spending also appears in the Updated Financial Plan estimates for other State agencies, including the mental hygiene agencies, child welfare programs, and education aid.

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS[1]
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Department of Health Medicaid	17,610	17,954	18,400	19,013	19,595
Local Assistance	17,372	17,704	18,145	18,758	19,334
State Operations	238	250	255	255	261
Other State Agency Medicaid Spending	4,955	4,561	4,950	5,196	5,393
Mental Hygiene	4,816	4,421	4,808	5,054	5,249
Foster Care	89	90	92	92	94
Education	50	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,565**	**22,515**	**23,350**	**24,209**	**24,988**
Annual $ Change		(50)	835	859	779
Annual % Change		-0.2%	3.7%	3.7%	3.2%
Essential Plan[2]	**130**	**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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS	**17,740**	**18,331**	**3.3%**	**18,785**	**2.5%**	**19,408**	**3.3%**	**20,001**	**3.1%**
General Fund - DOH Medicaid Local	12,088	12,295	1.7%	12,796	4.1%	13,416	4.8%	14,109	5.2%
DOH Medicaid	11,221	11,146	-0.7%	11,864	6.4%	12,528	5.6%	13,221	5.5%
Mental Hygiene - Global Cap Adjustment[3]	867	1,149	32.5%	932	-18.9%	888	-4.7%	888	0.0%
General Fund - DOH Medicaid State Ops[4]	238	250	5.0%	255	2.0%	255	0.0%	261	2.4%
General Fund - Essential Plan	130	377	190.0%	385	2.1%	395	2.6%	406	2.8%
Local Assistance	108	334	209.3%	345	3.3%	355	2.9%	365	2.8%
State Operations	22	43	95.5%	40	-7.0%	40	0.0%	41	2.5%
Other State Funds - DOH Medicaid Local	5,284	5,409	2.4%	5,349	-1.1%	5,342	-0.1%	5,225	-2.2%
HCRA Financing	3,655	3,776	3.3%	3,682	-2.5%	3,738	1.5%	3,621	-3.1%
Indigent Care Support	817	821	0.5%	855	4.1%	792	-7.4%	792	0.0%
Provider Assessment Revenue	812	812	0.0%	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 in FY 2016.

The FY 2017 Executive Budget Financial Plan reflects a proposal to phase in additional local funding from NYC toward the annual growth of Medicaid costs. Under this proposal, NYC's contribution level will be increased by 3.6 percent in FY 2017 and 5.8 percent in FY 2018 after which the growth continues at a rate of roughly 2 percent annually.

The Executive 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 the managed care program premiums; realigning the capital and operating components of the Supportive Housing program; and an increase in the penalty for extreme generic drug pricing in order to de-incentivize 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 COLAs are not included in social security plans; and additional funding for fiscally distressed hospitals. Savings of $44 million are expected upon implementation of the MRT initiatives, and are programmed for General Fund use 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.

Fluctuation in enrollment, the 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 of certain legally residing immigrants from Medicaid to the EP.

Essential Plan

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

ESSENTIAL PLAN (millions of dollars)									
	FY 2016 Results	FY 2017 Updated	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL ALL FUNDS SPENDING	**1,660**	**2,461**	**48.3%**	**2,535**	**3.0%**	**2,610**	**3.0%**	**2,683**	**2.8%**
State Operating Funds	**130**	**377**	**190.0%**	**385**	**2.1%**	**395**	**2.6%**	**406**	**2.8%**
Local Assistance	108	334	209.3%	345	3.3%	355	2.9%	365	2.8%
State Operations	22	43	95.5%	40	-7.0%	40	0.0%	41	2.5%
Federal Operating Funds	**1,530**	**2,084**	**36.2%**	**2,150**	**3.2%**	**2,215**	**3.0%**	**2,277**	**2.8%**

The Executive 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 Child Health Plus ("CHP") program that finances health insurance coverage for children of low-income families up to the age of 19, the General Public Health Work ("GPHW") program that reimburses local health departments for the cost of providing certain public health services, the Elderly Pharmaceutical Insurance Coverage ("EPIC") program that provides prescription drug insurance to seniors, and the Early Intervention ("EI") program that pays for services to infants and toddlers under the age of three with disabilities or developmental delays. Many public health programs, such as EI and GPHW programs, are run by county health departments and reimbursed by the State for a share of program costs. The State spending projections do not include the county share of public health 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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,765**	**1,620**	**-8.2%**	**1,638**	**1.1%**	**1,668**	**1.8%**	**1,821**	**9.2%**
Public Health	**1,639**	**1,493**	**-8.9%**	**1,506**	**0.9%**	**1,531**	**1.7%**	**1,678**	**9.6%**
Child Health Plus	359	220	-38.7%	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	159	154	-3.1%	139	-9.7%	139	0.0%	139	0.0%
HCRA Program	435	367	-15.6%	367	0.0%	367	0.0%	372	1.4%
All Other	366	421	15.0%	435	3.3%	445	2.3%	455	2.2%
Aging	**126**	**127**	**0.8%**	**132**	**3.9%**	**137**	**3.8%**	**143**	**4.4%**

The Executive Budget Financial Plan includes approximately $106 million in savings from the CHP program ($70 million) and HCRA program account ($36.2 million). Recently enhanced Federal funding for children's health care programs, serving populations that meet expanded income thresholds, lowers 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 funding back to State funds.

Annual GPHW spending has been revised in all years to reflect 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.

In the EI Program, the Executive Budget Financial Plan reflects proposed savings generated by improving commercial insurer reimbursements of EI services. In addition, children referred to the EI program will be required to receive a screening prior to the provision of more comprehensive (and costly) evaluations, whereas children with diagnosed conditions will undergo a more condensed evaluation thereby reducing the need for unnecessary tests. These proposals are expected to generate $5 million in savings in FY 2017 and over $20 million thereafter.

HCRA program spending is also expected to decline from FY 2016 through a savings proposal to reduce the Excess Medical Malpractice Liability Pool subsidy level by $25 million. Savings will be achieved by targeting participation in the Excess Pool to high-risk specialties and in underserved high-need regions of the State. From FY 2017 to FY 2020, HCRA program spending is expected to remain relatively flat.

HCRA Financial Plan

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

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

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

	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
OPENING BALANCE	**14**	**0**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,570**	**5,579**	**5,519**	**5,544**	**5,569**
Surcharges	3,077	3,118	3,120	3,180	3,240
Covered Lives Assessment	1,090	1,090	1,045	1,045	1,045
Cigarette Tax Revenue	917	878	847	816	781
Hospital Assessments	391	408	424	424	424
NYC Cigarette Tax Transfer/Other	95	85	83	79	79
TOTAL DISBURSEMENTS	**5,584**	**5,579**	**5,519**	**5,544**	**5,569**
Medicaid Assistance Account	3,655	3,776	3,682	3,739	3,621
Medicaid Costs	*3,458*	*3,579*	*3,485*	*3,542*	*3,424*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	817	822	855	792	792
HCRA Program Account	442	378	378	378	383
Child Health Plus	362	223	234	249	378
Elderly Pharmaceutical Insurance Coverage	138	144	145	140	140
New York State of Health[1]	0	59	87	88	90
SHIN-NY/APCD	45	40	0	0	0
All Other	125	137	138	158	165
ANNUAL OPERATING SURPLUS/(DEFICIT)	**(14)**	**0**	**0**	**0**	**0**
CLOSING BALANCE	**0**	**0**	**0**	**0**	**0**

[1] $49 million in FY 2016 spending will be financed with available HCRA resources through the Medicaid program.

HCRA revenues in the FY 2017 Executive Budget Financial Plan have been revised to account for increased Hospital Surcharge collections from a one-time increase in Upper Payment Limit ("UPL") payments due to delayed Federal approval and recent surcharge collection patterns. Outyear HCRA revenue estimates have been revised downward due to the anticipated reconciliation of prior year revenue collections. The level of annual growth forecasted in surcharge and hospital assessments reflects expanded health insurance coverage through the ACA, and an expectation for a higher volume of health care services being provided throughout the State. The health care industry assessment revenue growth is partly offset by projected declines in cigarette tax collections due to declining taxable consumption, resulting in total HCRA receipts growth which is virtually flat on an average annual basis through FY 2020.

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. The Executive Budget Financial Plan includes a proposed reduction to the Excess Medical Malpractice subsidy level, which reimburses certain physicians and dentists for a secondary layer of medical malpractice insurance coverage, by $25 million on an annual basis.

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

Mental Hygiene

The Department of Mental Hygiene is comprised of the OPWDD, the Office of Mental Health ("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 patients 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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,636**	**2,513**	**-4.7%**	**3,000**	**19.4%**	**3,310**	**10.3%**	**3,490**	**5.4%**
People with Developmental Disabilities	**2,062**	**2,203**	**6.8%**	**2,338**	**6.1%**	**2,459**	**5.2%**	**2,579**	**4.9%**
Residential Services	1,377	1,472	6.9%	1,562	6.1%	1,643	5.2%	1,723	4.9%
Day Programs	600	641	6.8%	680	6.1%	715	5.1%	750	4.9%
Clinic	20	21	5.0%	22	4.8%	24	9.1%	25	4.2%
All Other Local/Resources	65	69	6.2%	74	7.2%	77	4.1%	81	5.2%
Mental Health	**1,127**	**1,183**	**5.0%**	**1,305**	**10.3%**	**1,436**	**10.0%**	**1,483**	**3.3%**
Adult Local Services	914	959	4.9%	1,058	10.3%	1,165	10.1%	1,203	3.3%
Children Local Services	213	224	5.2%	247	10.3%	271	9.7%	280	3.3%
Alcohol and Substance Abuse	**318**	**317**	**-0.3%**	**330**	**4.1%**	**344**	**4.2%**	**357**	**3.8%**
Outpatient/Methadone	127	126	-0.8%	132	4.8%	137	3.8%	143	4.4%
Residential	124	124	0.0%	129	4.0%	134	3.9%	139	3.7%
Prevention and Program Support	54	54	0.0%	56	3.7%	59	5.4%	61	3.4%
Crisis	13	13	0.0%	13	0.0%	14	7.7%	14	0.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**
SUBTOTAL BEFORE ADJUSTMENTS	**3,508**	**3,704**	**5.6%**	**3,974**	**7.3%**	**4,240**	**6.7%**	**4,420**	**4.2%**
Other Adjustments	**(872)**	**(1,191)**	**-36.6%**	**(974)**	**18.2%**	**(930)**	**4.5%**	**(930)**	**0.0%**
Global Cap Adjustment	(867)	(1,149)	-32.5%	(932)	18.9%	(888)	4.7%	(888)	0.0%
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 5.9 percent annually. The main factor driving this level of growth is enhancement of community mental health services, right-sizing and improving State-operated inpatient services, utilizing less costly and more programmatically appropriate in-state community residential programs, enhancing employment opportunities for individuals with disabilities and maximizing payments from third-party payers.

The Updated Financial Plan includes additional 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 Cost of Living Adjustment ("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 ($282 million), 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; despite the appearance of a decrease.

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

It should also be noted, the Executive Budget Financial Plan reflects updated spending estimates for prior year actions related to OPWDD's transition of individuals with intellectual and developmental disabilities from developmental centers into community-based settings.

Finally, the Executive Budget Financial Plan also includes proposed spending for the Governor's Combat Heroin initiative and a new investment in residential services for those struggling with heroin and/or opiate addiction. It is proposed that $141 million be provided to address the heroin and opiate crisis, which reflects a $6 million increase from FY 2016. OASAS redirected existing resources to meet this need.

Social Services

Office of Temporary and Disability Assistance ("OTDA")

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,210**	**1,229**	**1.6%**	**1,245**	**1.3%**	**1,260**	**1.2%**	**1,268**	**0.6%**
SSI	660	670	1.5%	679	1.3%	679	0.0%	679	0.0%
Public Assistance Benefits	437	438	0.2%	438	0.0%	438	0.0%	437	-0.2%
Public Assistance Initiatives	21	27	28.6%	27	0.0%	36	33.3%	37	2.8%
All Other	92	94	2.2%	101	7.4%	107	5.9%	115	7.5%

OTDA spending on SSI is projected to increase gradually over the course of the multi-year Financial Plan due to updated caseload projections. In public assistance, DOB projects 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.

Office of Children and Family Services ("OCFS")

The Office of Children and Family Services OCFS provides funding for foster care, adoption, child protective services, preventive services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services administered by 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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,711**	**1,641**	**-4.1%**	**1,780**	**8.5%**	**1,934**	**8.7%**	**1,934**	**0.0%**
Child Welfare Service	454	464	2.2%	472	1.7%	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	284	185	-34.9%	185	0.0%	178	-3.8%	178	0.0%
Youth Programs	133	155	16.5%	233	50.3%	371	59.2%	349	-5.9%
Medicaid	89	90	1.1%	92	2.2%	93	1.1%	95	2.2%
Committees on Special Education	38	39	2.6%	41	5.1%	42	2.4%	44	4.8%
Adult Protective/Domestic Violence	30	32	6.7%	33	3.1%	34	3.0%	34	0.0%
All Other	86	77	-10.5%	115	49.4%	116	0.9%	116	0.0%

OCFS State Operating Funds spending is projected to decline between FY 2016 and FY 2017 primarily due to the utilization of other funding sources, in this case Federal Temporary Assistance for Needy Families ("TANF") resources, to maintain funding for childhood subsidies. Spending is projected to increase after FY 2018 due to a variety of factors including the full implementation of "Raise the Age" initiative which will increase the age of juvenile jurisdiction from age 16 to age 18.

Transportation

In FY 2017, the State will provide approximately $5 billion to support the operating costs of the statewide mass transit systems financed from dedicated taxes and fees. The MTA, due to the size and scope of its transit and commuter rail systems, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the 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 to support the transit and commuter rail systems. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up for the resulting loss of revenue.

TRANSPORTATION
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
STATE OPERATING FUNDS SUPPORT	**4,797**	**4,990**	**4.0%**	**5,056**	**1.3%**	**5,118**	**1.2%**	**5,217**	**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	1,898	2,003	5.5%	2,084	4.0%	2,149	3.1%	2,247	4.6%
Dedicated Mass Transit	669	650	-2.8%	636	-2.2%	632	-0.6%	634	0.3%
AMTAP	68	56	-17.6%	56	0.0%	56	0.0%	56	0.0%
All Other	2	1	-50.0%	0	-100.0%	1	0.0%	0	-100.0%

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

Beginning in FY 2017 capital financing sources will support all capital-related spending currently funded from the Dedicated Mass Transportation Trust Fund ("DMTTF").

The Executive Budget Financial Plan reflects the Governor's commitment of $8.3 billion in State resources toward funding the MTA's $26.1 billion 2015-2019 transit capital plan. The Budget includes legislation to authorize the remaining $7.3 billion of this commitment, and spending will continue from the $1 billion FY 2016 appropriation: $750 million to support the MTA's 2015-2019 core capital program and $250 million to advance the MTA's Penn Station Access project.

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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL AIM STATE OPERATING FUNDS	**736**	**715**	**-2.9%**	**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	21	0	-100.0%	48	0.0%	48	0.0%	48	0.0%

State Operating Funds spending for AIM efficiency incentive grants is expected to decline from FY 2016 to FY 2017 due to both the timing-related delays in local efficiency grant programs and to the availability of capital resources to finance certain aspects of these programs in FY 2017. Outyear growth is driven by the resumption of usage of State Operating Funds resources in FY 2018.

Agency Operations

Agency operating costs include personal service, non-personal service, and GSCs. Personal service costs include the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. Non-personal service costs reflect the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operations of Department of Transportation ("DOT") and Department of Motor Vehicles ("DMV") are included in the capital projects fund type and are not reflected in the State Operating Funds totals.

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (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).

Selected assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following table.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast			
	FY 2015 Results	FY 2016 Updated	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Negotiated Base Salary Increases[1]						
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	2%	TBD	TBD	TBD	TBD
PEF / PBANYS	2%	TBD	TBD	TBD	TBD	TBD
NYSPBA	2%	2%	1.5%	1.5%	TBD	TBD
State Workforce[2]	117,807	118,311	118,538	TBD	TBD	TBD
ERS Contribution Rate[3]						
Before Amortization[4]	20.7%	18.9%	15.9%	15.5%	15.0%	15.2%
After Amortization[5]	18.8%	19.3%	19.5%	19.5%	19.2%	19.2%
PFRS Pension Contribution Rate						
Before Amortization[4]	28.0%	25.5%	25.1%	23.8%	23.3%	23.5%
After Amortization[5]	25.9%	26.5%	28.6%	27.0%	26.5%	26.6%
Employee/Retiree Health Insurance Growth Rates	1.8%	5.1%	6.6%	5.8%	6.5%	6.5%
PS/Fringe as % of Receipts (All Funds Basis)	13.5%	13.6%	13.8%	13.8%	13.8%	13.8%

[1] Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
[2] Reflects workforce that is Subject to Direct Executive Control.
[3] As Percent of Salary.
[4] Before amortization contribution rate reflects normal and administrative costs and contributions for the Group Life Insurance Plan (GLIP).
[5] After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

The majority of State agencies are expected to hold personal service and non-personal service spending constant over the Financial Plan period, with a few exceptions. Costs from collective bargaining agreements, which include 1.5 percent salary 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, are expected to be funded from operational savings.

Medicaid Admin/EP, OCFS and SUNY are areas expected to experience programmatic growth. The growth in Medicaid Admin/EP reflects shifts and increases in the State costs of the NYSOH Exchange between the Exchange Marketplace and general Medicaid contractors and the State employees who work on Medicaid and the Exchange. Cost increases are primarily in IT/infrastructure/consulting contractual services, and personal services. The reestimate aligns costs with actual enrollment mix experienced to date through the Exchange. The Executive Budget Financial Plan reflects the proposed additional funding in OCFS to support the movement of 16 and 17 year old non-violent criminal offenders from general prison populations to separate facilities where emphasis can be placed on the specific needs of this age group. It is expected that OCFS will assist DOCCS in implementing specialized youth facilities by facilitating trainings, reviewing policies and procedures, and providing case consultations. Higher SUNY spending reflects anticipated operating needs primarily supported by tuition.

Increases in Information Technology 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. Public Health reclassifies certain State Operations costs that actually belong to Aid to Localities functionality, proposes personal service savings through attrition, and utilizes federal funds to cover certain program costs. The cost reduction is offset by operational increases mainly due to transitioning of certain functions from the local services districts to the State as part of the ongoing statewide administrative takeover initiative and the implementation of the NYSOH insurance benefit exchange, the State's insurance marketplace program under the ACA.

The Department of Law, OSC, Judiciary and Legislature all have expected growth from FY 2016 to FY 2017.

Payments to the New York Power Authority ("NYPA") represent an accounting reclassification across certain categories of the Executive Budget Financial Plan, but do not carry a financial impact. These payments were previously assumed under different funding categories, pursuant to funding schedules agreed upon by the State and NYPA.

Other year-over-year changes are technical in nature and reflect administrative reconciliations. For example, the State's workforce is paid on a bi-weekly basis; weekly pay cycles alternate between administrative and institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule will have one additional payroll.

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**10,190**	**10,009**	**10,357**	**10,311**	**10,353**
Mental Hygiene	2,822	2,789	2,784	2,825	2,867
Corrections and Community Supervision	2,615	2,622	2,630	2,632	2,640
State Police	650	650	661	661	661
Information Technology Services[1]	504	543	565	577	577
Public Health	419	441	463	463	466
Tax and Finance	330	328	329	329	329
Medicaid Admin/EP	260	293	296	295	301
Children and Family Services	269	245	323	432	436
Environmental Conservation	239	229	229	230	230
Financial Services	211	213	212	212	212
Parks, Recreation and Historic Preservation	180	177	177	175	175
General Services	159	165	165	165	165
Gaming	156	157	158	158	158
Temporary and Disability Assistance	143	130	125	125	125
Workers' Compensation Board	142	142	142	143	145
Extra Bi-Weekly Institutional Pay Period	167	0	0	0	0
New York Power Authority Repayment	21	21	236	22	0
All Other	903	864	862	867	866
UNIVERSITY SYSTEMS	**5,804**	**5,924**	**6,059**	**6,176**	**6,295**
State University	5,720	5,838	5,971	6,087	6,205
City University	84	86	88	89	90
INDEPENDENT AGENCIES	**311**	**318**	**319**	**320**	**323**
Law	168	172	173	174	177
Audit & Control (OSC)	143	146	146	146	146
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,305**	**16,251**	**16,735**	**16,807**	**16,971**
Judiciary	1,958	2,006	2,006	2,006	2,006
Legislature	215	219	219	219	219
Statewide Total	**18,478**	**18,476**	**18,960**	**19,032**	**19,196**
Personal Service	12,957	12,809	12,963	13,152	13,253
Non-Personal Service	5,521	5,667	5,997	5,880	5,943

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

In FY 2017, $12.8 billion or 13.4 percent of the State Operating Funds budget is projected to be spent on personal service costs. This funding supports roughly 98,000 Full-Time Equivalent ("FTE") employees under direct Executive control; individuals employed by SUNY and CUNY (43,982) and Independent Agencies (18,185); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency personal service spending occurs in three areas: SUNY, the mental hygiene agencies, and DOCCS.

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

	Dollars	FTEs
Subject to Direct Executive Control	**7,183**	**97,868**
Mental Hygiene Agencies	2,288	33,785
Corrections and Community Supervision	2,070	28,123
State Police	584	5,338
Tax and Finance	269	4,267
Health	268	3,743
Environmental Conservation	174	2,164
Children and Family Services	162	2,465
Financial Services	156	1,382
Parks, Recreation and Historic Preservation	132	1,528
All Other	1,080	15,073
University Systems	**3,692**	**43,982**
State University	3,649	43,667
City University[2]	43	315
Independent Agencies	**1,934**	**18,185**
Law	118	1,583
Audit & Control (OSC)	113	1,603
Judiciary	1,537	14,998
Legislature[3]	166	1
Total	**12,809**	**160,035**

[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 support an additional 13,330 FTEs, which are excluded from this table.

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

General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's share of Social Security, health insurance, workers' compensation, unemployment insurance and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.[7] The Judiciary pays its fringe benefit costs directly.

Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments. 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 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,326**	**7,636**	**4.2%**	**8,055**	**5.5%**	**8,354**	**3.7%**	**8,786**	**5.2%**
Fringe Benefits	**6,943**	**7,228**	**4.1%**	**7,656**	**5.9%**	**7,951**	**3.9%**	**8,378**	**5.4%**
Health Insurance	3,479	3,710	6.6%	3,924	5.8%	4,179	6.5%	4,452	6.5%
Employee Health Insurance	2,187	2,337	6.9%	2,472	5.8%	2,633	6.5%	2,805	6.5%
Retiree Health Insurance	1,292	1,373	6.3%	1,452	5.8%	1,546	6.5%	1,647	6.5%
Pensions	2,209	2,370	7.3%	2,480	4.6%	2,488	0.3%	2,546	2.3%
Social Security	981	966	-1.5%	971	0.5%	979	0.8%	984	0.5%
All Other Fringe	274	182	-33.6%	281	54.4%	305	8.5%	396	29.8%
Fixed Costs	**383**	**408**	**6.5%**	**399**	**-2.2%**	**403**	**1.0%**	**408**	**1.2%**

GSCs are projected to increase at an average annual rate of 4.7 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 $310 million (4.2 percent). The health insurance cost increase reflects increased prescription drug costs and utilization of specialty drugs for chronic conditions, and price inflation. Pension costs grow due to a higher graded rate associated with prior pension amortizations, which is partially offset by lower cost Tier 6 entrants and changes in actuarial assumptions. Workers' compensation costs growth includes increases in average weekly wage for benefit calculations and medical costs.

[7] Beginning in 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, but rather shift to the central statewide appropriation.

The State is expected to save approximately $181 million in FY 2017 as a result of a number of Executive Budget recommendations and forecast revisions, including $140 million in lower projected Workers' Compensation costs that is the net result of additional resources expected to be available to offset the costs of workers' compensation claims.

Health insurance savings are expected from the proposed elimination of Medicare Part B reimbursement for high income NYSHIP enrollees, maintaining reimbursement of the standard Medicare Part B premium at the current level, and implementing differential healthcare premiums for new civilian retirees with less than thirty years of service, similar to the calculation of pension benefits. Costs would be proportionately greater for new retirees with ten years of service and gradually decrease until they are no different than current levels once an individual reaches thirty years of service.

Finally, approximately $59 million in pension interest savings is expected to be achieved by paying the entirety of the State's FY 2017 ERS/PFRS bill in April 2016, rather than on the statutorily required date of March 1, 2017.

These savings proposals, along with other revised spending estimates are expected to partly offset increasing fringe benefit costs associated with updated baseline growth in health insurance rate renewals and workers' compensation costs.

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**15,020**	**11,503**	**10,509**	**10,939**	**11,318**
State Share of Mental Hygiene Medicaid[1]	**2,159**	**1,433**	**1,301**	**1,238**	**1,127**
Debt Service	**1,282**	**725**	**1,304**	**1,218**	**1,108**
SUNY University Operations	**998**	**985**	**997**	**997**	**997**
Capital Projects	**6,148**	**3,759**	**2,105**	**2,228**	**2,543**
Dedicated Highway and Bridge Trust Fund	623	759	786	807	1,025
Dedicated Infrastructure Investment Fund[1]	4,550	1,840	0	0	0
Environmental Protection Fund[1]	23	146	28	28	28
All Other Capital	952	1,014	1,291	1,393	1,490
ALL OTHER TRANSFERS	**4,433**	**4,601**	**4,802**	**5,258**	**5,543**
Mental Hygiene	3,090	3,368	3,567	3,922	4,317
Department of Transportation (MTA Payroll Tax)	334	335	335	336	336
SUNY - Medicaid Reimbursement	334	288	288	288	288
Judiciary Funds	107	107	107	107	107
SUNY - Hospital Operations	88	69	69	69	69
Dedicated Mass Transportation Trust Fund	63	63	66	66	66
Banking Services	50	52	53	53	53
Indigent Legal Services	35	35	35	35	35
Mass Transportation Operating Assistance	37	37	38	38	38
Alcoholic Beverage Control	14	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
NYS Campaign Finances	0	0	2	117	6
Spinal Cord Injury	9	9	9	9	9
Medical Marihuana Fund	7	5	5	5	5
All Other	231	205	199	184	185

[1] Includes the use of monetary settlements to fund the upfront OPWDD disallowance repayment ($850 million in FY 2016).

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

General Fund transfers to other funds are expected to total $11.5 billion in FY 2017, a $3.5 billion decrease from FY 2016. This decline is largely due to a $3.4 billion reduction in the planned use of monetary settlements ($5.4 billion in FY 2016 and $2.0 billion in FY 2017).

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"), the Dormitory Authority of the State of New York ("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. More information on the different types of State-supported bonds, including the sources of payment for debt service, is provided in the June 2015 AIS, in the section entitled "Capital Program and Financing Plan".

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2016 Current	FY 2017 Proposed	Change	FY 2018 Projected	Change	FY 2019 Projected	Change	FY 2020 Projected	Change
General Fund	1,282	725	-43.4%	1,304	79.9%	1,218	-6.6%	1,108	-9.0%
Other State Support	4,170	4,730	13.4%	5,008	5.9%	5,573	11.3%	6,130	10.0%
State Operating/All Funds Total	**5,452**	**5,455**	**0.1%**	**6,312**	**15.7%**	**6,791**	**7.6%**	**7,238**	**6.6%**

Total State Operating/All Funds debt service is projected at $5.5 billion in FY 2017, of which approximately $725 million is paid from the General Fund through transfers, and $4.7 billion from other State funds. 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, LGAC bonds and mental health facilities bonds.

Updated Financial Plan estimates for debt service spending, reflect a number of factors, including bond sale results to date, assumed debt management savings of $129 million of FY 2017, and increased debt service costs associated with proposed additional capital commitment levels. Also, debt service spending estimates assume the FY 2016 prepayment of $550 million of debt service that is due during FY 2017, as well as a subsequent FY 2017 prepayment of $60 million of debt service due during FY 2018.

State-Supported Debt Outstanding

State-supported debt represents obligations of the State that are paid from traditional State resources and have a budgetary impact. It includes General Obligation debt, State PIT Revenue Bonds, Sales Tax Revenue Bonds, LGAC bonds and lease purchase and service contract obligations of public authorities and municipalities. Payment of all obligations, except for General Obligation debt, is subject to annual appropriations by the State Legislature, but the State's credits have different security features, as described in this section. The Debt Reform Act of 2000 limits the amount of new State supported debt issued since April 1, 2000.

State PIT Revenue Bond Program

From 2002 to 2013, the PIT Revenue Bond program was the primary financing vehicle used to fund the State's capital program. Since 2013, the PIT Revenue Bond program and the State's Sales Tax Revenue Bond program (described below), have been the largest sources of financing for the State's capital program. Legislation enacted in 2001 provided for the issuance of State PIT Revenue Bonds by the State's Authorized Issuers. The legislation requires 25 percent of State PIT receipts (excluding refunds owed to taxpayers) to be deposited into the RBTF for purposes of making debt service payments on these bonds, with the excess amounts returned to the General Fund. The first State PIT Revenue Bonds were issued on May 9, 2002, and since that time, all of the Authorized Issuers have issued State PIT Revenue Bonds.

Legislation enacted in 2007 increased the amount of PIT receipts to be deposited into the RBTF by removing an exclusion for PIT amounts deposited to the STAR Fund. In the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on the State PIT Revenue Bonds or (b) 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 the State PIT Revenue Bonds, the legislation requires that PIT receipts continue to be deposited to the RBTF until amounts on deposit in the RBTF equal the greater of (i) 25 percent of annual PIT receipts or (ii) $6 billion. Debt service on State PIT Revenue Bonds is subject to legislative appropriation, as part of the annual debt service bill.

As of December 31, 2015, approximately $31.7 billion of State PIT Revenue Bonds were outstanding. The projected PIT Revenue Bond coverage ratios, noted below, are based upon estimates of PIT receipts deposited into the RBTF and include projected debt issuances. Assuming average issuances of approximately $3.8 billion annually over the next four years, PIT coverage is expected to decline from 3.9 times in FY 2016 to 3.2 times in FY 2019. The projected PIT Revenue Bond coverage ratios assume that projects previously financed through the Mental Health Revenue Bond program and the DHBTF Revenue Bond program will be issued under either the PIT Revenue Bond program or the Sales Tax Revenue Bond Program. Revenues that would have been dedicated to bonds issued under the old programs are transferred to the RBTF to offset debt service costs for projects financed with either PIT Revenue Bonds or Sales Tax Revenue Bonds, but are not counted towards debt service coverage. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the projected coverage as reflected in the following table.

PROJECTED PIT REVENUE BOND COVERAGE RATIOS FY 2016 THROUGH 2019 (thousands of dollars)				
	FY 2016	FY 2017	FY 2018	FY 2019
Projected RBTF Receipts	11,773,464	12,490,232	12,935,732	13,104,788
Projected New PIT Bonds Issuances	2,194,475	4,138,598	4,431,412	4,490,217
Projected Total PIT Bonds Outstanding	30,656,480	33,238,317	35,949,598	38,528,853
Projected Maximum Annual Debt Service	3,042,630	3,381,146	3,725,774	4,126,727
Projected PIT Coverage Ratio	3.9	3.7	3.5	3.2

Sales Tax Revenue Bond Program

Legislation included in the FY 2014 Enacted Budget created the Sales Tax Revenue Bond program. This bonding program replicates certain credit features of PIT and LGAC revenue bonds and is expected to continue to provide the State with increased efficiencies and a lower cost of borrowing.

The legislation created the Sales Tax Revenue Bond Tax Fund, a sub-fund within the General Debt Service Fund that will provide for the payment of these bonds. The Sales Tax Revenue Bonds are secured by dedicated revenues consisting of one cent of the State's four cent sales and use tax. With a limited exception, upon the satisfaction of all of the obligations and liabilities of LGAC, this will increase to 2 cents of sales and use tax receipts. Such sales tax receipts in excess of debt service requirements are transferred to the State's General Fund.

The Sales Tax Revenue Bond Fund has appropriation-incentive and General Fund "reach back" features comparable to PIT and LGAC bonds. A "lock box" feature restricts transfers back to the General Fund in the event of non-appropriation or non-payment. In addition, in the event that sales tax revenues are insufficient to pay debt service, a "reach back" mechanism requires the State Comptroller to transfer moneys from the General Fund to meet debt service requirements.

In FY 2014, legislation was enacted that authorized the use of State Sales Tax Revenue Bonds and PIT Revenue Bonds to finance capital purposes, including projects that were previously financed through the State's Mental Health Facilities Improvement Revenue Bond program and the DHBTF program. This change allows the State to transition to the use of three primary credits – PIT Revenue Bonds, Sales Tax Revenue Bonds and General Obligation bonds to finance the State's capital needs.

The first Sales Tax Revenue Bonds were issued on October 24, 2013 and it is anticipated that the Sales Tax Revenue Bonds will be used interchangeably with PIT Revenue Bonds to finance State capital needs. As of December 31, 2015, $4.5 billion of Sales Tax Revenue Bonds were outstanding. On July 30, 2015, Sales Tax Revenue Bonds were issued to refund certain

outstanding State-supported debt previously issued by the Thruway Authority under the Second General Highway and Bridge Trust Fund Bond Resolution. As a result of this refunding transaction and assuming average Sales Tax Revenue Bond issuances of approximately $1.2 billion annually over the next four years, Sales Tax coverage based only upon the 1 cent pledge is expected to decline from 5.7 times in FY 2016 to 4.3 times in FY 2019, as shown in the following chart. While DOB routinely monitors the State's debt portfolio across all State-supported credits for refunding opportunities, no future refunding transactions are reflected in the projected coverage below.

PROJECTED SALES TAX REVENUE BOND COVERAGE RATIOS
FY 2016 THROUGH 2019
(thousands of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
Projected Sales Tax Receipts	3,109,750	3,241,375	3,408,000	3,554,500
Projected New Sales Tax Bonds Issuances	936,375	1,250,561	1,288,078	1,326,720
Projected Total Sales Tax Bonds Outstanding	4,254,020	5,149,912	6,035,418	6,947,174
Projected Maximum Annual Debt Service	544,337	645,758	746,776	833,516
Projected Sales Tax Coverage Ratio	5.7	5.0	4.6	4.3

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 Basic Financial Statements for FY 2015 were issued on July 29, 2015. 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 FY 2015 was issued at the end of September 2015.

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, 2015	6,619	356	(697)	181	6,459	6,052
March 31, 2014	172	806	369	(146)	1,201	(567)
March 31, 2013	1,129	(308)	(186)	(499)	136	(739)

SUMMARY OF NET POSITION (millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2015	32,554	771	33,325
March 31, 2014	27,838	(841)	26,997
March 31, 2013	26,271	(922)	25,349

The CAFR for FY 2015 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.

State Retirement System

The information contained under this heading has been prepared solely by OSC, and DOB has not undertaken any independent verification of such information.

General

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

Greater detail, including the independent auditor's report for the fiscal year ending March 31, 2015, is included in NYSLRS' Comprehensive Annual Financial Report ("NYSLRS' CAFR") for the fiscal year ended March 31, 2015 and is available on the OSC website at the following link: www.osc.state.ny.us/retire/publications/.

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

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

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

Committee reviews and must approve mortgage and real estate investments for consideration by the State Comptroller.

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

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 2015. There were 3,029 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, 2015, 643,178 persons were members of the System and 430,308 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, 2015, approximately 74 percent of ERS members were in Tiers 3 and 4 and approximately 82 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

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

2010 Retirement Incentive Program

Legislation enacted in June 2010 provided the State and local employers with the option to offer a temporary Early Retirement Incentive Program (ERI) for certain ERS members for periods ending no later than December 31, 2010. This program did not apply to PFRS members. Approximately 6,400 State employees and 5,453 members from 610 participating employers retired under the ERI. The cost of the incentive is borne by the State and each participating employer electing the incentive over a five-year period commencing with a payment in FY 2012. In 2014, the State paid in full its non-judiciary retirement incentive liability. The amortized amount receivable relating to the ERI, including accrued interest, from the State as of March 31, 2015 is $0.2 million and the amount due from participating employers is $30.11 million.

Contributions and Funding

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

The CRF experienced significant investment losses in FY 2009. These investment losses negatively impacted the value of assets held by the CRF for the System. 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.[8]

The current actuarial smoothing method recognizes annual gains and losses (investment returns above or below the 7.0 percent assumed return) over a 5-year period. The significant investment losses in FY 2009 substantially caused the increase in contribution rates for FY 2011, FY 2012, FY 2013 and FY 2014. However, rates decreased for FY 2015, FY 2016 and FY 2017 due, in part, to investment gains in years following 2009.

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

Legislation enacted in May 2003 realigned the System's billing cycle to match participating local governments' budget cycles and also instituted a minimum annual payment of at least 4.5 percent of payroll every year. Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, a portion of their annual bill for FY 2005, FY 2006 and FY 2007. As of March 31, 2015, the amortized amount receivable, including accrued interest, pursuant to Chapter 260 from the State is $1.9 million and from participating employers is $8.7 million. The State paid approximately $1.921 billion in contributions (including Judiciary) for FY 2015 including amortization payments of approximately $409.6 million associated with Chapter 260 of the Laws of 2004, Chapter 57 of the Laws of 2010, the 2010 retirement incentive program and two partial payments of prior amortizations.

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

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

by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014 and FY 2015, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 percent respectively. The first payment is due in the fiscal year following the decision to amortize pension costs. When contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elected to amortize will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future. These reserve funds will be invested separately from pension assets. Over time, OSC expects that this will reduce the budgetary volatility of employer contributions. As of March 31, 2015, the amortized amount receivable, including accrued interest, for the 2011 amortization is $164.7 million from the State and $27.7 million from 45 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is $416.5 million from the State and $152.6 million from 118 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is $642.2 million from the State and $302.2 million from 136 participating employers; and the amortized amount receivable, including accrued interest, for the 2014 amortization is $860.3 million for the State and $200 million from 110 participating employers; and the amortized amount receivable including accrued interest, for the 2015 amortization is $715.0 million from the State and $152.1 million from 86 participating employers.

The FY 2014 Enacted Budget included an alternate contribution program (the "Alternate Contribution Stabilization Program") that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. As of March 31, 2015, the amortized amount receivable, including interest, from 29 participating employers for the 2014 amortization is $234.1 million and the amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is $196.5 million.

Eligible employers had a one-time only option to elect to participate in the Alternate Contribution Stabilization Program, which began with FY 2014. For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014 and 3.50 percent for FY 2015). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to

amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

The total State payment (including Judiciary) due to NYSLRS for FY 2015 was approximately $2.780 billion. The State (including Judiciary) opted to amortize the maximum amount permitted, which reduced the required March 1, 2015 payment by $713.2 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities."

The total State payment (including Judiciary) due to NYSLRS for FY 2016 is approximately $2.476 billion. Multiple prepayments (including interest credit) have reduced this amount by approximately $2.113 billion. If the State (including Judiciary) opts to amortize the maximum amount permitted, this would reduce the required March 1, 2016 payment by $356.1 million. Amounts amortized are treated as receivables for purposes of calculating assets of the CRF as further described below under "Pension Assets and Liabilities."

Pension Assets and Liabilities

The 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, 2015 was $189.4 billion (including $6.3 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of $8.1 billion or 4.5 percent from the FY 2014 level of $181.3 billion. The increase in net position restricted for pension benefits from FY 2014 to FY 2015 reflects, in large part, equity market performance.[9] The System's audited Financial Statement reports an investment rate of return of 7.16 percent for FY 2015.

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

[9] On February 19, 2016, the State Comptroller released a statement indicating that the value of the System's invested assets posted an estimated 2.88 percent return for the quarter ended December 31, 2015. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

allocation will take several years, transition targets have been established to aid in the asset rebalancing process.[10]

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $216.4 billion on April 1, 2014 to $225.7 billion (including $107.7 billion for current retirees and beneficiaries) on April 1, 2015. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2015. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from plan net position on April 1, 2015 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected loss for FY 2015, 40 percent of the unexpected gain for FY 2014, 60 percent of the unexpected gain for FY 2013, and 80 percent of the unexpected gain for FY 2012[11]. The asset valuation method smoothes gains and losses based on the market value of all investments. Actuarial assets increased from $171.7 billion on April 1, 2014 to $184.2 billion on April 1, 2015. The ratio of the fiduciary net position to the total pension liability for ERS, as of March 31, 2015, calculated by the System's Actuary, was 97.9 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2015, calculated by the System's Actuary, was 99.0 percent[12].

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

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

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

[12] 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.

financial reporting requirements for governments that provide their employees with pensions. Statement No. 68 requires employers participating in the plans to report expanded information concerning pensions in their financial statements, as well as their proportionate share of the Net Pension Liability effective for fiscal years beginning after June 15, 2014. The Net Pension Liability is a measure of the amount by which the Total Pension Liability exceeds a pension system's Fiduciary Net Position.

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

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	
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883
2009	2,456	1,567	889	273	7,265
2010	2,344	1,447	897	284	7,719
2011	4,165	2,406	1,759	286	8,520
2012	4,585	2,799	1,786	273	8,938
2013	5,336	3,385	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514

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
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)
2009	110,938	(28.8)
2010	134,252	21.0
2011	149,549	11.4
2012	153,394	2.6
2013	164,222	7.0
2014	181,275	10.4
2015	189,412	4.5

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, 2015 includes approximately $6.3 billion of receivables.

Authorities and Localities

Public Authorities

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

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

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

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As of December 31, 2014 (with respect to Job Development Authority or "JDA" as of March 31, 2015), 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 $177 billion, only a portion of which constitutes State-supported or State-related debt. The following table summarizes the outstanding debt of these authorities.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES[1]
AS OF DECEMBER 31, 2014[2]
(millions of dollars)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority[3]	26,505	19,946	46,451
Metropolitan Transportation Authority	287	25,480	25,767
Port Authority of NY & NJ	0	23,085	23,085
Thruway Authority	8,728	5,021	13,749
Housing Finance Agency	616	12,927	13,543
UDC/ESD	11,566	854	12,420
Triborough Bridge and Tunnel Authority	0	8,396	8,396
Long Island Power Authority[4]	0	7,569	7,569
Job Development Authority[2]	9	6,637	6,646
Environmental Facilities Corporation	577	5,849	6,426
Energy Research and Development Authority	0	3,400	3,400
State of New York Mortgage Agency	0	2,554	2,554
Local Government Assistance Corporation	2,345	0	2,345
Tobacco Settlement Financing Corporation	1,745	0	1,745
Power Authority	0	1,597	1,597
Battery Park City Authority	0	1,035	1,035
Municipal Bond Bank Agency	263	263	526
Niagara Frontier Transportation Authority	0	131	131
Bridge Authority	0	110	110
TOTAL OUTSTANDING	52,641	124,854	177,495

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, 2015. This includes $6.6 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) and $510 million issued by the Brooklyn Arena Local Development Corporation. In addition, JDA has $9 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 $1.93 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established UDSA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. UDSA is reported as a blended component unit of LIPA in LIPA's audited financial statements.

Localities

While the fiscal condition of New York City and other local governments in the State is reliant, in part, on State aid to balance their annual budgets and meet their cash requirements, the State is not legally responsible for their financial condition and viability. Indeed, the provision of State aid to localities, while one of the largest disbursement categories in the State budget, is not constitutionally obligated to be maintained at current levels or to be continued in future fiscal years and the State Legislature may amend or repeal statutes relating to the formulas for and the apportionment of State aid to localities.

The City of New York

The fiscal demands on the State may be affected by the fiscal condition of New York City, which relies in part on State aid to balance its budget and meet its cash requirements. It is also possible that the State's finances may be affected by the ability of New York City, and its related issuers, to market securities successfully in the public credit markets. The official financial disclosure of the City of New York and its related issuers is available by contacting 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
2006	35,844	12,233	2,470	1,334	0	3,500	55,381
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

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. Since 2004, the State Legislature passed 22 special acts authorizing bond issuances to finance local government operating deficits, most recently for the Village of Suffern. When local governments are authorized to issue bonds to finance operating deficits, the local government generally is subject to certain additional fiscal oversight during the time the bonds are outstanding, including an annual budget review by OSC. In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within a locality.

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

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

Erie County has a Fiscal Stability Authority, the City of New York has a Financial Control Board, and the City of Troy has a Supervisory Board, all of which presently perform certain review and advisory functions. The City of Newburgh operates under fiscal monitoring by the State Comptroller pursuant to special State legislation. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's FY 2015 or thereafter.

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, provides another $25 million to Yonkers for the support of the Yonkers School District for Yonkers fiscal year ending 2016, 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 twelve 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 69 local governments (12 counties, 14 cities, 21 towns, 22 villages) and 90 school districts have been placed in a stress category based on financial data for their fiscal years ending in 2014. The vast majority of entities scored (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 2014.

DEBT OF NEW YORK LOCALITIES[1]
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt[2]		Other Localities Debt[3]		Total Locality Debt[3]	
	Bonds	Notes	Bonds[4]	Notes[4]	Bonds[3][4]	Notes[4]
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,082	4,005	58,326	4,520
2005	54,421	0	29,245	4,832	83,666	4,832
2006	55,381	0	30,753	4,755	86,134	4,755
2007	58,192	100	32,271	4,567	90,463	4,667
2008	59,120	67	33,569	5,474	92,689	5,541
2009	64,873	33	34,522	6,908	99,395	6,941
2010	69,536	0	36,103	7,361	105,639	7,361
2011	73,572	0	36,230	7,312	109,802	7,312
2012	77,354	0	36,663	7,178	114,017	7,178
2013	79,418	0	36,299	7,318	115,717	7,318
2014	81,240	0	35,365	6,970	116,605	6,970

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.

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).

On May 16, 2013, the State, Madison and Oneida Counties, and the Oneida Indian Nation signed a settlement agreement covering many issues. As pertinent here, the agreement would place a cap on the amount of land the tribe could reacquire and have taken into trust for its benefit by the United States. The agreement has been approved by the State Legislature, and was approved by the Federal Court on March 4, 2014.

There are 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. Plaintiff's made a motion for reargument or leave to appeal, returnable February 1, 2016, which is pending.

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. Petitioner's appeal is now pending.

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 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.

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 January 15, 2016 to allow for settlement negotiations.

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

In *Shinnecock Indian Nation v. State of New York*, et al. ("EDNY"), plaintiff seeks ejectment, monetary damages, and declaratory and injunctive relief for its claim that approximately 3,600 acres in the Town of Southampton were illegally transferred from its predecessors-in-interest. On December 5, 2006, the District Court granted defendants' motion to dismiss, based on the *Sherrill* and *Cayuga* decisions. Plaintiff moved for reconsideration before the District Court and also appealed to the Second Circuit Court of Appeals. The *Shinnecock* appeal to the Second

Circuit was reinstated and, on October 28, 2015, the Second Circuit affirmed the District Court's decision dismissing plaintiff's claim. The United States Supreme Court granted plaintiff's motion to extend the time to file a writ of certiorari from the Second Circuit's decision to March 25, 2016.

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.

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.

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*, are scheduled to be 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.

Medicaid Nursing Home Rate Methodology

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

granted this motion to the extent of directing payment of $6.5 million out of the $49 million sought by plaintiff. The State has filed both a notice of appeal and a motion to renew or reargue that motion. Plaintiffs also brought a motion to consolidate over two hundred additional Medicaid rate cases into the present case, which was returnable May 16, 2014. The motion has been granted and the State has filed a notice of appeal.

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

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.

Tobacco Master Settlement Agreement ("MSA") Arbitration

In addition to MSA litigation described in the AIS, the Participating Manufacturers have also brought a nationwide arbitration proceeding against the Settling States (excluding Montana). The MSA provides that each year, in perpetuity, the PMs pay the Settling States a base payment, subject to certain adjustments, to compensate for financial harm suffered by the Settling States due to smoking-related illness. In order to keep the base payment under the MSA, each Settling State must pass and diligently enforce a statute that requires tobacco manufacturers who are not party to the MSA ("Non-Participating Manufacturers" or "NPMs") to deposit in escrow an amount roughly equal to the amount that PMs pay per pack sold. New York's allocable share of the total base payment is approximately 12.8 percent of the total, or approximately $800 million annually.

In the arbitration proceeding commenced in 2010, the PMs asserted that the Settling States involved failed to diligently enforce their escrow statutes in 2003. The PMs sought a downward adjustment of the payment due in that year (an "NPM Adjustment") which would serve as a credit against future payments. Any such claim for NPM Adjustment for years prior to 2003 was settled

in 2003. The PMs have raised the same claim for years 2004-2012, but none of those years is yet in arbitration.

Hearings commenced April 16-24, 2012 and concluded May 21-24, 2013. New York's diligent enforcement hearings took place June 25-29, 2012. The Panel issued its awards on September 11, 2013. New York was found to have diligently enforced its qualifying statute in 2003 and, thus, is not subject to an NPM Adjustment for 2003. Nine states, including New York, were found to be "diligent"; six states were found to have been "not diligent".

In December 2012, during the pendency of the arbitration, the PMs and 19 states (collectively the "Signatory Parties") agreed to a term sheet purportedly settling the NPM Adjustment disputes for 2003-2012 (3 additional states joined later). New York and 31 (later became 28) other states and territories rejected the term sheet. On March 13, 2013, the Panel issued a Partial Stipulated Settlement Award ("Partial Award") based on the provisions of the term sheet. In so doing, the Panel deemed the 20 states "diligent" for purposes of allocation of the NPM Adjustment.

On October 20, 2015, in light of the PMs' stated intent to continue challenging New York's diligence for all sales years 2004 and forward, New York and the PMs announced a settlement of all outstanding disputes between them concerning NPM Adjustments and related Disputed Payment Account ("DPA") deposits relating to all prior sales years under the MSA. The settlement releases to New York 90% of the funds currently held in the DPA for past NPM Adjustment claims. As to all future MSA annual payments, the companies will receive a discount tied to the total in-state sales volume of cigarettes that are manufactured on Native American reservations and sold tax-free from smoke shops on those reservations to New York consumers. The discount will be for a fixed amount per pack, but with a modifier based on overall volume. The volume information will be determined by a neutral third party and will not be subject to appeal. It is expected that in the first several years of implementation, the discount will amount to no more than $100 million out of each annual payment of about $775 million and that it will decrease in future years. The companies are required to release New York from any other claims to the balance of these future payments as well, meaning that beyond the stipulated discount, New York will not be at risk of losing any of its future annual payments as the result of extended arbitration proceedings. Under the settlement, there will be no future NPM Adjustment arbitrations involving New York and New York will no longer risk losing its entire annual MSA payment.

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 2015 and projected receipts and disbursements for fiscal years 2016 through 2019 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 assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

General Fund - Total Budget
- Financial Plan, Annual Change from FY 2015 to FY 2016
- Financial Plan Projections FY 2017 through FY 2020
- Update to FY 2016
- Update to FY 2017
- Update to FY 2018
- Update to FY 2019

General Fund - Receipts Detail (Excluding Transfers)
- Financial Plan Projections FY 2016 through FY 2020

State Operating Funds Budget
- FY 2016
- FY 2017
- FY 2018
- FY 2019

All Governmental Funds - Total Budget
- FY 2016
- FY 2017
- FY 2018
- FY 2019

Cashflow - FY 2016 Monthly Projections
- General Fund

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

	FY 2015 Results	FY 2016 Current	Annual $ Change	Annual % Change
Opening Fund Balance	2,235	7,300	5,065	226.6%
Receipts:				
Taxes:				
Personal Income Tax	29,485	31,983	2,498	8.5%
Consumption/Use Taxes	6,691	6,781	90	1.3%
Business Taxes	6,265	6,202	(63)	-1.0%
Other Taxes	1,128	1,466	338	30.0%
Miscellaneous Receipts	8,410	5,820	(2,590)	-30.8%
Federal Receipts	2	0	(2)	-100.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	8,659	10,397	1,738	20.1%
Sales Tax in Excess of LGAC	2,632	2,715	83	3.2%
Sales Tax in Excess of Revenue Bond Debt Service	2,940	2,747	(193)	-6.6%
Real Estate Taxes in Excess of CW/CA Debt Service	844	956	112	13.3%
All Other	865	1,227	362	41.8%
Total Receipts	67,921	70,294	2,373	3.5%
Disbursements:				
Local Assistance Grants	41,592	44,153	2,561	6.2%
Departmental Operations:				
Personal Service	5,806	6,139	333	5.7%
Non-Personal Service	1,858	2,083	225	12.1%
General State Charges	4,999	5,188	189	3.8%
Transfers to Other Funds:				
Debt Service	1,297	1,282	(15)	-1.2%
Capital Projects	1,264	6,148	4,884	386.4%
State Share of Mental Hygiene Medicaid	1,419	2,159	740	52.1%
SUNY Operations	980	998	18	1.8%
Other Purposes	3,641	4,433	792	21.8%
Total Disbursements	62,856	72,583	9,727	15.5%
Excess (Deficiency) of Receipts Over Disbursements	5,065	(2,289)	(7,354)	-145.2%
Closing Fund Balance	7,300	5,011	(2,289)	-31.4%
Statutory Reserves				
Tax Stabilization Reserve Fund	1,258	1,258	0	
Rainy Day Reserve Fund	540	540	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	74	60	(14)	
Reserved For				
Prior-Term Labor Agreements	50	15	(35)	
Debt Management	500	500	0	
Undesignated Fund Balance	190	0	(190)	
Monetary Settlements	4,667	2,617	(2,050)	

Source: NYS DOB.

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

	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Receipts:				
Taxes:				
Personal Income Tax	34,242	35,891	36,510	38,459
Consumption/Use Taxes	7,089	7,424	7,712	7,983
Business Taxes	5,776	6,087	6,165	6,551
Other Taxes	986	912	876	926
Miscellaneous Receipts	2,642	2,522	2,561	2,390
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,830	11,063	10,862	10,984
Sales Tax in Excess of LGAC	2,869	3,117	3,158	3,296
Sales Tax in Excess of Revenue Bond Debt Service	2,646	2,716	2,798	3,006
Real Estate Taxes in Excess of CW/CA Debt Service	950	1,019	1,075	1,127
All Other	753	718	716	701
Total Receipts	68,783	71,469	72,433	75,423
Disbursements:				
Local Assistance Grants	45,427	47,724	50,123	52,716
Departmental Operations:				
Personal Service	6,025	6,126	6,221	6,269
Non-Personal Service	2,209	2,518	2,344	2,430
General State Charges	5,472	5,825	6,048	6,424
Transfers to Other Funds:				
Debt Service	725	1,304	1,218	1,108
Capital Projects	3,759	2,105	2,228	2,543
State Share of Mental Hygiene Medicaid	1,433	1,301	1,238	1,127
SUNY Operations	985	997	997	997
Other Purposes	4,601	4,802	5,258	5,543
Total Disbursements	70,636	72,702	75,675	79,157
Use (Reservation) of Fund Balance:				
Community Projects Fund	16	(1)	0	0
Possible CUNY Labor Agreement	(240)	0	0	0
Prior-Term Labor Agreements	15	0	0	0
Monetary Settlements	2,062	113	113	114
Total Use (Reservation) of Fund Balance	1,853	112	113	114
Adherence to 2% Spending Benchmark*	0	1,643	3,227	4,568
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	522	98	948

* 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, budget gaps may result.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2016
(millions of dollars)

	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	31,924	172	32,096	(113)	31,983
Consumption/Use Taxes	6,890	(107)	6,783	(2)	6,781
Business Taxes	5,897	(20)	5,877	325	6,202
Other Taxes	1,069	307	1,376	90	1,466
Miscellaneous Receipts	4,365	1,002	5,367	453	5,820
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,215	220	10,435	(38)	10,397
Sales Tax in Excess of LGAC	2,767	(52)	2,715	0	2,715
Sales Tax in Excess of Revenue Bond Debt Service	2,966	(219)	2,747	0	2,747
Real Estate Taxes in Excess of CW/CA Debt Service	894	62	956	0	956
All Other	1,298	(35)	1,263	(36)	1,227
Total Receipts	68,285	1,330	69,615	679	70,294
Disbursements:					
Local Assistance Grants	44,356	91	44,447	(294)	44,153
Departmental Operations:					
Personal Service	6,079	65	6,144	(5)	6,139
Non-Personal Service	2,184	(2)	2,182	(99)	2,083
General State Charges	5,195	(27)	5,168	20	5,188
Transfers to Other Funds:					
Debt Service	886	48	934	348	1,282
Capital Projects	5,947	83	6,030	118	6,148
State Share of Mental Hygiene Medicaid	2,162	0	2,162	(3)	2,159
SUNY Operations	998	0	998	0	998
Other Purposes	4,283	(18)	4,265	168	4,433
Total Disbursements	72,090	240	72,330	253	72,583
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	14	14
Prior-Term Labor Agreements	(10)	45	35	0	35
Undesignated Fund Balance	190	0	190	0	190
Monetary Settlements	3,625	(1,135)	2,490	(440)	2,050
Total Use (Reservation) of Fund Balance	3,805	(1,090)	2,715	(426)	2,289
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements	0	0	0	0	0

Source: NYS DOB.

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

	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	34,118	(87)	34,031	211	34,242
Consumption/Use Taxes	7,196	(6)	7,190	(101)	7,089
Business Taxes	5,792	(36)	5,756	20	5,776
Other Taxes	984	0	984	2	986
Miscellaneous Receipts	2,591	(44)	2,547	95	2,642
Federal Receipts					
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,440	296	10,736	94	10,830
Sales Tax in Excess of LGAC	2,917	(2)	2,915	(46)	2,869
Sales Tax in Excess of Revenue Bond Debt Service	2,999	(306)	2,693	(47)	2,646
Real Estate Taxes in Excess of CW/CA Debt Service	948	0	948	2	950
All Other	740	32	772	(19)	753
Total Receipts	68,725	(153)	68,572	211	68,783
Disbursements:					
Local Assistance Grants	46,783	(17)	46,766	(1,339)	45,427
Departmental Operations:					
Personal Service	6,049	46	6,095	(70)	6,025
Non-Personal Service	2,262	(2)	2,260	(51)	2,209
General State Charges	5,710	(57)	5,653	(181)	5,472
Transfers to Other Funds:					
Debt Service	1,242	(166)	1,076	(351)	725
Capital Projects	1,844	(148)	1,696	2,063	3,759
State Share of Mental Hygiene Medicaid	1,439	0	1,439	(6)	1,433
SUNY Operations	978	0	978	7	985
Other Purposes	4,442	(37)	4,405	196	4,601
Total Disbursements	70,749	(381)	70,368	268	70,636
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	16	16
Possible CUNY Labor Agreement	0	0	0	(240)	(240)
Prior-Term Labor Agreements	(30)	45	15	0	15
Monetary Settlements	0	0	0	2,062	2,062
Total Use (Reservation) of Fund Balance	(30)	45	15	1,838	1,853
Adherence to 2% Spending Benchmark*	2,333	(300)	2,033	(2,033)	0
Net General Fund Surplus (Deficit)	279	(27)	252	(252)	0

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

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2018
(millions of dollars)

	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	36,275	(399)	35,876	15	35,891
Consumption/Use Taxes	7,451	0	7,451	(27)	7,424
Business Taxes	5,959	(39)	5,920	167	6,087
Other Taxes	910	0	910	2	912
Miscellaneous Receipts	2,353	(24)	2,329	193	2,522
Federal Receipts					
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,935	218	11,153	(90)	11,063
Sales Tax in Excess of LGAC	3,129	1	3,130	(13)	3,117
Sales Tax in Excess of Revenue Bond Debt Service	3,022	(293)	2,729	(13)	2,716
Real Estate Taxes in Excess of CW/CA Debt Service	990	28	1,018	1	1,019
All Other	739	0	739	(21)	718
Total Receipts	71,763	(508)	71,255	214	71,469
Disbursements:					
Local Assistance Grants	49,160	(68)	49,092	(1,368)	47,724
Departmental Operations:					
Personal Service	6,076	51	6,127	(1)	6,126
Non-Personal Service	2,488	(3)	2,485	33	2,518
General State Charges	6,032	(197)	5,835	(10)	5,825
Transfers to Other Funds:					
Debt Service	1,422	(41)	1,381	(77)	1,304
Capital Projects	2,072	(49)	2,023	82	2,105
State Share of Mental Hygiene Medicaid	1,313	1	1,314	(13)	1,301
SUNY Operations	969	0	969	28	997
Other Purposes	4,868	(37)	4,831	(29)	4,802
Total Disbursements	74,400	(343)	74,057	(1,355)	72,702
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	(1)	(1)
Prior-Term Labor Agreements	(10)	10	0	0	0
Monetary Settlements	0	0	0	113	113
Total Use (Reservation) of Fund Balance	(10)	10	0	112	112
Adherence to 2% Spending Benchmark*	4,349	(476)	3,873	(2,230)	1,643
Net General Fund Surplus (Deficit)	1,702	(631)	1,071	(549)	522

* 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, budget gaps may result.

Source: NYS DOB.

CASH FINANCIAL PLAN
GENERAL FUND
FY 2019
(millions of dollars)

	Enacted	Change	Mid-Year	Change	Exec. (Amended)
Receipts:					
Taxes:					
Personal Income Tax	37,267	(742)	36,525	(15)	36,510
Consumption/Use Taxes	7,725	6	7,731	(19)	7,712
Business Taxes	6,109	(42)	6,067	98	6,165
Other Taxes	874	0	874	2	876
Miscellaneous Receipts	2,212	(19)	2,193	368	2,561
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	11,006	69	11,075	(213)	10,862
Sales Tax in Excess of LGAC	3,163	4	3,167	(9)	3,158
Sales Tax in Excess of Revenue Bond Debt Service	3,048	(242)	2,806	(8)	2,798
Real Estate Taxes in Excess of CW/CA Debt Service	1,037	37	1,074	1	1,075
All Other	724	0	724	(8)	716
Total Receipts	73,165	(929)	72,236	197	72,433
Disbursements:					
Local Assistance Grants	51,653	(125)	51,528	(1,405)	50,123
Departmental Operations:					
Personal Service	6,104	52	6,156	65	6,221
Non-Personal Service	2,302	(3)	2,299	45	2,344
General State Charges	6,349	(423)	5,926	122	6,048
Transfers to Other Funds:					
Debt Service	1,210	(11)	1,199	19	1,218
Capital Projects	2,295	(48)	2,247	(19)	2,228
State Share of Mental Hygiene Medicaid	1,255	0	1,255	(17)	1,238
SUNY Operations	969	0	969	28	997
Other Purposes	5,233	(162)	5,071	187	5,258
Total Disbursements	77,370	(720)	76,650	(975)	75,675
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(10)	10	0	0	0
Monetary Settlements	0	0	0	113	113
Total Use (Reservation) of Fund Balance	(10)	10	0	113	113
Adherence to 2% Spending Benchmark*	5,821	(796)	5,025	(1,798)	3,227
Net General Fund Surplus (Deficit)	1,606	(995)	611	(513)	98

* 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, budget gaps may result.

Source: NYS DOB.

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
FY 2016 THROUGH FY 2020
(millions of dollars)

	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Taxes:					
Withholdings	36,706	38,525	40,038	41,970	44,333
Estimated Payments	16,088	16,591	17,854	17,397	18,568
Final Payments	2,633	2,720	2,891	3,034	3,168
Other Payments	1,292	1,358	1,397	1,457	1,521
Gross Collections	56,719	59,194	62,180	63,858	67,590
State/City Offset	(688)	(688)	(688)	(688)	(589)
Refunds	(8,938)	(8,546)	(9,749)	(10,751)	(12,128)
Reported Tax Collections	47,093	49,960	51,743	52,419	54,873
STAR (Dedicated Deposits)	(3,337)	(3,228)	(2,916)	(2,804)	(2,696)
RBTF (Dedicated Transfers)	(11,773)	(12,490)	(12,936)	(13,105)	(13,718)
Personal Income Tax	31,983	34,242	35,891	36,510	38,459
Sales and Use Tax	12,440	12,966	13,632	14,218	14,772
Cigarette and Tobacco Taxes	307	348	345	335	324
Motor Fuel Tax	0	0	0	0	0
Alcoholic Beverage Taxes	254	258	263	268	273
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
Gross Utility Taxes and Fees	13,001	13,572	14,240	14,821	15,369
LGAC/STBF (Dedicated Transfers)	(6,220)	(6,483)	(6,816)	(7,109)	(7,386)
Consumption/Use Taxes	6,781	7,089	7,424	7,712	7,983
Corporation Franchise Tax	4,325	3,703	3,945	3,944	4,307
Corporation and Utilities Tax	589	579	573	578	587
Insurance Taxes	1,388	1,321	1,407	1,521	1,597
Bank Tax	(100)	173	162	122	60
Petroleum Business Tax	0	0	0	0	0
Business Taxes	6,202	5,776	6,087	6,165	6,551
Estate Tax	1,446	965	891	855	905
Real Estate Transfer Tax	1,147	1,138	1,204	1,258	1,308
Gift Tax	0	0	0	0	0
Real Property Gains Tax	0	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18	18
Other Taxes	2	3	3	3	3
Gross Other Taxes	2,613	2,124	2,116	2,134	2,234
Real Estate Transfer Tax (Dedicated)	(1,147)	(1,138)	(1,204)	(1,258)	(1,308)
Other Taxes	1,466	986	912	876	926
Payroll Tax	0	0	0	0	0
Total Taxes	46,432	48,093	50,314	51,263	53,919
Licenses, Fees, Etc.	624	595	652	645	692
Abandoned Property	525	525	525	525	525
Motor Vehicle Fees	170	161	223	224	224
ABC License Fee	66	63	60	66	62
Reimbursements	239	293	253	292	278
Investment Income	10	7	8	8	8
Other Transactions	4,186	998	801	801	601
Miscellaneous Receipts	5,820	2,642	2,522	2,561	2,390
Federal Receipts	0	0	0	0	0
Total	52,252	50,735	52,836	53,824	56,309

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,300	2,472	118	9,890
Receipts:				
Taxes	46,432	8,262	19,021	73,715
Miscellaneous Receipts	5,820	15,239	488	21,547
Federal Receipts	0	1	73	74
Total Receipts	52,252	23,502	19,582	95,336
Disbursements:				
Local Assistance Grants	44,153	18,879	0	63,032
Departmental Operations:				
Personal Service	6,139	6,818	0	12,957
Non-Personal Service	2,083	3,394	44	5,521
General State Charges	5,188	2,138	0	7,326
Debt Service	0	0	5,452	5,452
Capital Projects	0	1	0	1
Total Disbursements	57,563	31,230	5,496	94,289
Other Financing Sources (Uses):				
Transfers from Other Funds	18,042	8,757	4,121	30,920
Transfers to Other Funds	(15,020)	(1,304)	(18,123)	(34,447)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,022	7,453	(14,002)	(3,527)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,289)	(275)	84	(2,480)
Closing Fund Balance	5,011	2,197	202	7,410
Intra-Fund Transfers Adjustment	0	524	0	524
Closing Fund Balance with Intra-Fund Transfers	5,011	2,721	202	7,934

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	5,011	2,721	202	7,934
Receipts:				
Taxes	48,093	8,255	19,992	76,340
Miscellaneous Receipts	2,642	15,464	455	18,561
Federal Receipts	0	1	73	74
Total Receipts	50,735	23,720	20,520	94,975
Disbursements:				
Local Assistance Grants	45,427	18,901	0	64,328
Departmental Operations:				
Personal Service	6,025	6,784	0	12,809
Non-Personal Service	2,209	3,407	51	5,667
General State Charges	5,472	2,164	0	7,636
Debt Service	0	0	5,455	5,455
Capital Projects	0	3	0	3
Total Disbursements	59,133	31,259	5,506	95,898
Other Financing Sources (Uses):				
Transfers from Other Funds	18,048	7,877	3,328	29,253
Transfers to Other Funds	(11,503)	(730)	(18,254)	(30,487)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,545	7,147	(14,926)	(1,234)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,853)	(392)	88	(2,157)
Closing Fund Balance	3,158	2,329	290	5,777
Intra-Fund Transfers Adjustment	0	435	0	435
Closing Fund Balance with Intra-Fund Transfers	3,158	2,764	290	6,212

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	50,314	8,033	20,837	79,184
Miscellaneous Receipts	2,522	15,605	465	18,592
Federal Receipts	0	1	73	74
Total Receipts	52,836	23,639	21,375	97,850
Disbursements:				
Local Assistance Grants	47,724	18,688	0	66,412
Departmental Operations:				
Personal Service	6,126	6,837	0	12,963
Non-Personal Service	2,518	3,430	49	5,997
General State Charges	5,825	2,230	0	8,055
Debt Service	0	0	6,312	6,312
Capital Projects	0	2	0	2
Total Disbursements	62,193	31,187	6,361	99,741
Other Financing Sources (Uses):				
Transfers from Other Funds	18,633	8,047	4,058	30,738
Transfers to Other Funds	(10,509)	(655)	(18,965)	(30,129)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,124	7,392	(14,907)	609
Use (Reservation) of Fund Balance:				
Community Projects Fund	(1)	0	0	(1)
Monetary Settlements	113	0	0	113
Total Use (Reservation) of Fund Balance	112	0	0	112
Adherence to 2% Spending Benchmark*	1,643	0	0	1,643
Net Surplus (Deficit)	522	(156)	107	473
Intra-Fund Transfers Adjustment	0	484	0	484
Net Surplus (Deficit) with Intra-Fund Transfers	522	328	107	957

* 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, budget gaps may result.

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	51,263	8,054	21,353	80,670
Miscellaneous Receipts	2,561	15,947	461	18,969
Federal Receipts	0	1	73	74
Total Receipts	53,824	24,002	21,887	99,713
Disbursements:				
Local Assistance Grants	50,123	18,987	0	69,110
Departmental Operations:				
Personal Service	6,221	6,931	0	13,152
Non-Personal Service	2,344	3,487	49	5,880
General State Charges	6,048	2,306	0	8,354
Debt Service	0	0	6,791	6,791
Capital Projects	0	0	0	0
Total Disbursements	64,736	31,711	6,840	103,287
Other Financing Sources (Uses):				
Transfers from Other Funds	18,609	8,388	3,930	30,927
Transfers to Other Funds	(10,939)	(677)	(18,890)	(30,506)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,670	7,711	(14,960)	421
Use (Reservation) of Fund Balance:				
Monetary Settlements	113	0	0	113
Total Use (Reservation) of Fund Balance	113	0	0	113
Adherence to 2% Spending Benchmark*	3,227	0	0	3,227
Net Surplus (Deficit)	98	2	87	187
Intra-Fund Transfers Adjustment	0	495	0	495
Net Surplus (Deficit) with Intra-Fund Transfers	98	497	87	682

* 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, budget gaps may result.

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,300	2,661	(724)	118	9,355
Receipts:					
Taxes	46,432	8,262	1,368	19,021	75,083
Miscellaneous Receipts	5,820	15,440	4,585	488	26,333
Federal Receipts	0	49,779	2,476	73	52,328
Total Receipts	52,252	73,481	8,429	19,582	153,744
Disbursements:					
Local Assistance Grants	44,153	64,540	3,156	0	111,849
Departmental Operations:					
Personal Service	6,139	7,442	0	0	13,581
Non-Personal Service	2,083	4,582	0	44	6,709
General State Charges	5,188	2,444	0	0	7,632
Debt Service	0	0	0	5,452	5,452
Capital Projects	0	1	6,854	0	6,855
Total Disbursements	57,563	79,009	10,010	5,496	152,078
Other Financing Sources (Uses):					
Transfers from Other Funds	18,042	8,793	6,435	4,121	37,391
Transfers to Other Funds	(15,020)	(2,864)	(1,460)	(18,123)	(37,467)
Bond and Note Proceeds	0	0	474	0	474
Net Other Financing Sources (Uses)	3,022	5,929	5,449	(14,002)	398
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(2,289)	401	3,868	84	2,064
Closing Fund Balance	5,011	3,062	3,144	202	11,419

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	5,011	3,062	3,144	202	11,419
Receipts:					
Taxes	48,093	8,255	1,285	19,992	77,625
Miscellaneous Receipts	2,642	15,680	5,382	455	24,159
Federal Receipts	0	49,087	1,973	73	51,133
Total Receipts	50,735	73,022	8,640	20,520	152,917
Disbursements:					
Local Assistance Grants	45,427	64,436	3,576	0	113,439
Departmental Operations:					
Personal Service	6,025	7,473	0	0	13,498
Non-Personal Service	2,209	4,541	0	51	6,801
General State Charges	5,472	2,483	0	0	7,955
Debt Service	0	0	0	5,455	5,455
Capital Projects	0	3	7,429	0	7,432
Total Disbursements	59,133	78,936	11,005	5,506	154,580
Other Financing Sources (Uses):					
Transfers from Other Funds	18,048	7,877	3,944	3,328	33,197
Transfers to Other Funds	(11,503)	(2,013)	(1,504)	(18,254)	(33,274)
Bond and Note Proceeds	0	0	599	0	599
Net Other Financing Sources (Uses)	6,545	5,864	3,039	(14,926)	522
Use (Reservation) of Fund Balance:					
Community Projects Fund	16	0	0	0	16
Possible CUNY Labor Agreement	(240)	0	0	0	(240)
Prior-Term Labor Agreements	15	0	0	0	15
Monetary Settlements	2,062	0	0	0	2,062
Total Use (Reservation) of Fund Balance	1,853	0	0	0	1,853
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,853)	(50)	674	88	(1,141)
Closing Fund Balance	3,158	3,012	3,818	290	10,278

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	50,314	8,033	1,317	20,837	80,501
Miscellaneous Receipts	2,522	15,821	5,673	465	24,481
Federal Receipts	0	50,181	2,000	73	52,254
Total Receipts	52,836	74,035	8,990	21,375	157,236
Disbursements:					
Local Assistance Grants	47,724	65,116	4,195	0	117,035
Departmental Operations:					
Personal Service	6,126	7,527	0	0	13,653
Non-Personal Service	2,518	4,557	0	49	7,124
General State Charges	5,825	2,554	0	0	8,379
Debt Service	0	0	0	6,312	6,312
Capital Projects	0	2	7,698	0	7,700
Total Disbursements	62,193	79,756	11,893	6,361	160,203
Other Financing Sources (Uses):					
Transfers from Other Funds	18,633	8,047	2,235	4,058	32,973
Transfers to Other Funds	(10,509)	(2,048)	(1,545)	(18,965)	(33,067)
Bond and Note Proceeds	0	0	650	0	650
Net Other Financing Sources (Uses)	8,124	5,999	1,340	(14,907)	556
Use (Reservation) of Fund Balance:					
Community Projects Fund	(1)	0	0	0	(1)
Monetary Settlements	113	0	0	0	113
Total Use (Reservation) of Fund Balance	112	0	0	0	112
Adherence to 2% Spending Benchmark*	1,643	0	0	0	1,643
Net Surplus (Deficit)	522	278	(1,563)	107	(656)

* 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, budget gaps may result.

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	51,263	8,054	1,313	21,353	81,983
Miscellaneous Receipts	2,561	16,163	5,834	461	25,019
Federal Receipts	0	50,795	2,015	73	52,883
Total Receipts	53,824	75,012	9,162	21,887	159,885
Disbursements:					
Local Assistance Grants	50,123	66,057	4,528	0	120,708
Departmental Operations:					
Personal Service	6,221	7,628	0	0	13,849
Non-Personal Service	2,344	4,596	0	49	6,989
General State Charges	6,048	2,634	0	0	8,682
Debt Service	0	0	0	6,791	6,791
Capital Projects	0	0	7,289	0	7,289
Total Disbursements	64,736	80,915	11,817	6,840	164,308
Other Financing Sources (Uses):					
Transfers from Other Funds	18,609	8,388	2,358	3,930	33,285
Transfers to Other Funds	(10,939)	(2,009)	(1,552)	(18,890)	(33,390)
Bond and Note Proceeds	0	0	489	0	489
Net Other Financing Sources (Uses)	7,670	6,379	1,295	(14,960)	384
Use (Reservation) of Fund Balance:					
Monetary Settlements	113	0	0	0	113
Total Use (Reservation) of Fund Balance	113	0	0	0	113
Adherence to 2% Spending Benchmark*	3,227	0	0	0	3,227
Net Surplus (Deficit)	98	476	(1,360)	87	(699)

* 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, budget gaps may result.

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2016
(dollars in millions)

	2015 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2016 January Preliminary Results	February Projected	March Projected	Total
OPENING BALANCE	7,300	10,344	9,591	11,064	9,625	9,489	10,717	11,388	10,312	12,741	13,703	13,664	7,300
RECEIPTS:													
Personal Income Tax	5,036	1,741	3,171	2,041	1,909	3,653	1,838	1,730	3,622	2,851	2,203	2,188	31,983
Consumption/Use Taxes	507	512	693	560	532	699	488	534	645	563	433	615	6,781
Business Taxes	203	(33)	1,106	133	205	1,094	81	12	1,084	(123)	72	2,368	6,202
Other Taxes	150	151	119	209	165	138	144	104	75	108	51	52	1,466
Total Taxes	5,896	2,371	5,089	2,943	2,811	5,584	2,551	2,380	5,426	3,399	2,759	5,223	46,432
Abandoned Property	0	0	0	0	0	22	24	120	26	41	45	247	525
ABC License Fee	7	6	7	6	6	7	6	4	5	4	5	3	66
Investment Income	0	0	1	1	1	1	1	1	1	0	3	0	10
Licenses, Fees, etc.	40	45	75	46	75	48	30	28	80	49	65	43	624
Motor Vehicle Fees	36	0	28	15	(3)	20	21	8	22	(6)	15	14	170
Reimbursements	6	7	36	9	26	29	3	8	50	4	15	46	239
Other Transactions	89	2,387	41	23	15	255	412	514	72	14	10	354	4,186
Total Miscellaneous Receipts	178	2,445	188	100	120	382	497	683	256	106	158	707	5,820
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,679	539	1,201	524	261	1,462	563	430	1,249	561	515	1,413	10,397
Tax in Excess of LGAC	238	33	519	249	195	319	219	241	298	251	3	150	2,715
Sales Tax Bond Fund	224	216	303	232	149	300	176	216	258	212	166	295	2,747
Real Estate Taxes in Excess of CW/CA Debt Service	74	97	76	76	81	95	89	63	78	94	71	62	956
All Other	15	298	4	21	2	90	8	1	41	58	221	468	1,227
Total Transfers from Other Funds	2,230	1,183	2,103	1,102	688	2,266	1,055	951	1,924	1,176	976	2,388	18,042
TOTAL RECEIPTS	8,304	5,999	7,380	4,145	3,619	8,232	4,103	4,014	7,606	4,681	3,893	8,318	70,294
DISBURSEMENTS:													
School Aid	535	2,703	1,975	67	562	2,604	111	1,663	1,620	487	467	7,256	20,050
Higher Education	18	20	646	248	123	186	345	53	66	151	360	751	2,967
All Other Education	18	98	508	85	108	381	34	31	187	22	199	593	2,264
Medicaid - DOH	1,231	1,606	495	889	1,273	1,123	825	986	1,316	903	880	669	12,196
Public Health	11	187	57	69	26	48	41	43	73	42	34	78	709
Mental Hygiene	3	2	278	3	2	315	1	1	303	15	148	61	1,132
Children and Families	39	39	96	303	30	323	81	72	274	70	168	212	1,707
Temporary & Disability Assistance	93	98	158	97	95	105	93	89	93	92	94	104	1,211
Transportation	0	24	0	0	35	0	0	22	15	1	14	2	113
Unrestricted Aid	1	12	389	1	0	109	0	0	192	0	5	76	785
All Other	2	38	189	31	(96)	45	36	28	(47)	32	61	700	1,019
Total Local Assistance Grants	1,951	4,827	4,791	1,793	2,158	5,239	1,567	2,988	4,092	1,815	2,430	10,502	44,153
Personal Service	554	443	457	638	471	489	543	441	629	447	456	571	6,139
Non-Personal Service	68	125	141	173	166	211	81	185	138	160	221	414	2,083
Total Departmental Operations	622	568	598	811	637	700	624	626	767	607	677	985	8,222
General State Charges	612	504	364	1,816	(50)	473	473	406	3	492	(98)	193	5,188
Debt Service	302	(9)	(22)	167	(12)	(70)	145	(3)	(2)	347	(19)	458	1,282
Capital Projects	73	148	(196)	200	326	353	23	336	8	281	209	4,387	6,148
State Share Medicaid	992	0	65	171	40	233	103	49	136	128	52	190	2,159
SUNY Operations	210	210	211	191	0	0	0	176	0	0	0	0	998
Other Purposes	498	504	96	435	656	76	497	512	173	49	681	256	4,433
Total Transfers to Other Funds	2,075	853	154	1,164	1,010	592	768	1,070	315	805	923	5,291	15,020
TOTAL DISBURSEMENTS	5,260	6,752	5,907	5,584	3,755	7,004	3,432	5,090	5,177	3,719	3,932	16,971	72,583
Excess/(Deficiency) of Receipts over Disbursements	3,044	(753)	1,473	(1,439)	(136)	1,228	671	(1,076)	2,429	962	(39)	(8,653)	(2,289)
CLOSING BALANCE	10,344	9,591	11,064	9,625	9,489	10,717	11,388	10,312	12,741	13,703	13,664	5,011	5,011

Source: NYS DOB.

State Related Bond Authorizations

Bond authorizations reflected in the following tables represent authorizations where there are remaining amounts authorized, but unissued, or where there is debt outstanding.

STATE-RELATED DEBT
FY 2016 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) [1]

Type of Cap (Gross or Net)*	Program	FY 2016 Bond Caps	Authorized But Unissued [2]	Debt Outstanding [3] As of 3/31/15
Education:				
Gross	SUNY Educational Facilities (4)	11,228	1,259	8,058
Net	SUNY Dormitory Facilities (5)	1,561	68	1,164
Net	SUNY Upstate Community Colleges (5)	838	195	813
Gross	CUNY Educational Facilities (6)	7,393	776	4,708
Net	State Ed Department Facilities (7)	0	0	38
Net	SUNY Athletic Facilities	22	0	12
Net	RESCUE	195	0	32
Net	University Facilities (Jobs 2000)	48	1	3
Net	School District Capital Outlay Grants	140	40	0
Net	Judicial Training Institute	16	0	7
Net	Transportation Transition Grants	80	12	0
Net	Public Broadcasting Facilities	15	0	2
Net	Higher Education Capital Matching Grants	210	68	71
Net	EXCEL	2,600	109	1,908
Net	Library Facilities	140	28	75
Net	Cultural Education Storage Facilities	79	69	8
Net	State Longitudinal Data System	20	10	6
Net	SUNY 2020 Challenge Grants	440	380	54
Net	Private Special Education	5	5	0
Environment:				
Net	Environmental Infrastructure Projects (8)	1,776	793	688
Net	Hazardous Waste Remediation	2,200	1,457	585
Net	Riverbank State Park	78	18	32
Net	Water Pollution Control (SRF)	805	130	148
Net	Pipeline for Jobs (Jobs 2000)	34	2	0
Net	Long Island Pine Barrens	15	0	2
Net	Pilgrim Sewage Plant	11	0	1
State Facilities:				
Net	Empire State Plaza	133	13	0
Net	State Capital Projects (Attica)	200	0	102
Net	Division of State Police Facilities	156	37	104
Net	Division of Military & Naval Affairs	27	9	14
Net	Alfred E. Smith Building	89	0	54
Net	Sheridan Ave. (Elk St.) Parking Garage	25	0	16
Net	State Office Buildings and Other Facilities	470	241	182
Net	Judiciary Improvements	38	1	19
Net	OSC State Buildings	52	0	22
Net	Albany Parking Garage (East)	41	0	23
Net	OGS State Buildings and Other Facilities (9)	140	26	88
Net	Equipment Acquisition (COPs) (10)	784	106	205
Net	Food Laboratory	40	0	35
Net	OFT Facilities	21	18	2
Net	Courthouse Improvements	76	27	36
Gross	Prison Facilities	7,163	515	4,317
Net	Homeland Security	197	89	86
Gross	Youth Facilities	611	211	178
Net	NYRA Land Acquisition/VLT Construction	355	0	42
Net	Storm Recovery Capital	450	450	0
Net	Office of Information Technology Services	269	237	28
Net	Nonprofit Infrastructure Capital Investment Program	50	50	0
Health/Mental Hygiene:				
Net	Department of Health Facilities (inc. Axelrod)	495	3	265
Gross	Mental Health Facilities	7,723	992	3,660
Net	HEAL NY Capital Program	750	95	470
Net	Capital Restructuring Program	2,200	2,200	0
Transportation:				
Gross	Consolidated Highway Improvement Program (CHIPS)	8,659	1,243	4,040
Net	Dedicated Highway & Bridge Trust	16,500	3,302	7,157
Net	High Speed Rail	22	22	0
Net	Albany County Airport	40	1	3
Net	Transportation Initiatives	1,690	1,647	36
Net	MTA Transportation Facilities	1,520	1,520	0
N/A	MTA Service Contract	2,005	0	1,638
Net	Transportation (TIFIA)	750	750	0

STATE-RELATED DEBT
FY 2016 BOND CAPS AND DEBT OUTSTANDING
(millions of dollars) [1]

	Type of Cap (Gross or Net)*	Program	FY 2016 Bond Caps	Authorized But Unissued [2]	Debt Outstanding [3] As of 3/31/15
Economic Development:					
	Gross	Housing Capital Programs	3,154	390	1,566
	Net	Community Enhancement Facilities (CEFAP)	424	43	39
	Net	University Technology Centers (incl. HEAT) (11)	248	13	21
	Gross	Onondaga Convention Center	40	0	18
	Net	Sports Facilities	145	0	47
	Net	Child Care Facilities	30	1	9
	Net	Bio-Tech Facilities	10	10	0
	Net	Strategic Investment Program	216	21	19
	Net	Regional Economic Development (Fund 002) (12)	1,190	33	235
	Net	NYS Economic Development (2004) (13)	346	0	171
	Net	Regional Economic Development (2004) (14)	243	221	9
	Net	High Technology and Development	249	73	109
	Net	Regional Economic Development/SPUR	90	28	20
	Net	Buffalo Inner Harbor	50	0	39
	Net	Jobs Now	14	1	0
	Net	Economic Development 2006 (Various) (15)	2,310	355	1,491
	Net	Javits Convention Center (Expansion '06)	350	350	0
	Net	Queens Stadium (Mets)	75	0	42
	Net	Bronx Stadium (Yankees)	75	0	49
	Net	NYS Ec Dev Stadium Parking ('06)	75	69	5
	Net	State Modernization Projects (RIOC Tram, etc.)	50	15	8
	Net	Int. Computer Chip Research and Dev. Center	300	0	98
	Net	2008 and 2009 Economic Development Initiatives	1,269	265	634
	Net	H.H. Richardson Complex/Darwin Martin House	84	8	59
	Net	Economic Development Initiatives	2,888	2,287	559
	Net	State and Municipal Facilities	1,155	1,135	20
LGAC	Net	Local Government Assistance Corporation	4,700	0	2,345
GO	Gross	General Obligation (16)	19,185	2,747	3,018
Total State-Supported Debt			**122,654**	**27,291**	**51,867**
Other State Financings:					
Tobacco Settlement Financing Corporation Bonds					1,745
MBBA Special Purpose School Aid Bonds					263
Capital Lease and Mortgage Loan Commitments					302
Other (17)					315
Total State-Related Debt (18)					**54,492**

** Gross caps include cost of issuance fees. Net caps do not.*

Source: NYS DOB

[1] Includes only authorized programs that are active at March 31, 2015 or have outstanding program balances or both.

[2] Amounts issued may exceed the stated amount authorized by premiums, by providing for the cost of issuance, reserve fund requirements and, in certain circumstances, refunding bonds. In some cases, Authorized but Unissued bond cap amounts have been reduced by the higher of (i) net bond proceeds available to fund program, or (ii) par amount of bonds issued.

[3] Amounts outstanding reflect original par amounts or original gross proceeds in the case of capital appreciation bonds.

[4] Authorization also includes any amount necessary to refund outstanding Housing Finance Agency State University Construction Bonds, all of which have been refunded.

[5] Authorization applies to bonds issued after March 31, 2002, prior to that date there was no limit.

[6] The amount outstanding includes CUNY Community Colleges bonds for which the State pays debt service. The total amount authorized for CUNY Senior Colleges was unlimited for resolutions adopted prior to 7/1/85 and limited to $7.393 billion for both CUNY Senior and CUNY Community Colleges for resolutions adopted after 7/1/85.

[7] Legislation enacted in May 2002 prohibits further issuance of bonds for this purpose, except for refunding purposes.

[8] Includes bonds issued for West Valley, DEC Environmental Infrastructure Projects, Environmental Protection Fund, Onondaga Lake, and the Office of Parks and Recreation and Historic Preservation.

[9] Includes debt outstanding for Office of General Services Buildings: 44 Holland Ave., 50 Wolf Rd., 625 Broadway Ave., Hampton Plaza, and DOT Region 1.

[10] Authorized amounts includes Certificates of Participation, which have been issued as bonds after March 31, 2003.

[11] Includes authorizations for Science and Technology Center (Syracuse), Super Computer Center (Cornell), Center for Telecommunications (Columbia), HEAT, Center for Industrial Innovation (City of Troy), Center for Advanced materials (Clarkson), Center for Electro-Optic (Rochester), Center for Neural Sciences (NYU) and Center for Incubator Facilities.

[12] Includes bonds issued for Community Capital Assistance Program (CCAP), Rebuilding the Empire State Through Opportunities in Regional Economies Program (RESTORE), Empire Opportunity Fund (EOF), Generating Employment Through New York Science Program (Gen*NY*sis), Multi-Modal Transportation Program,and Center of Excellence Program (Laws of 2002).

[13] Includes bonds to be issued for economic development projects outside cities of 1 million or more in population.

[14] Includes bonds issued for the EOF, RESTORE and CCAP.

[15] Includes bonds to be issued for economic development and environmental projects.

[16] The FY 2015 Enacted Budget authorized a $2 billion general obligation bond act for Smart Schools, which was approved by voters in November 2014.

[17] Includes bonds issued for Secured Hospital Program, HFA and MCFFA Moral Obligation Bonds, and the JDA State-guaranteed bonds.

[18] Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

New York State
Annual Information Statement

June 1, 2015

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Introduction

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This Annual Information Statement (AIS) is dated June 1, 2015 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 11, 2014 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 2016[1] (FY 2016), issued by the Division of the Budget (DOB) in May 2015. The Enacted Budget sets forth the State's official Financial Plan projections for FY 2016 through FY 2019. It includes, among other things, information on the major components of the FY 2016 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. Note that the Financial Plan does not reflect the May 2015 consent order between DFS and Barclays Bank PLC, and Barclays Bank PLC, New York Branch (collectively, "Barclays"). In May 2015, Barclays paid a $485 million civil monetary penalty to the State pursuant to that consent order.

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

3. Information on other subjects relevant to the State's finances, including summaries of: (a) operating results for the three prior fiscal years (presented on a cash basis of accounting), (b) the State's revised economic forecast and a profile of the State economy, (c) the State's debt and other financing activities, (d) the organization of State government, and (e) activities of public authorities and localities.

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

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

[1] The State fiscal year is identified by the calendar year in which it ends. For example, FY 2016 is the FY that began on April 1, 2015 and ends on March 31, 2016.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS, as updated or supplemented. Investors and other market participants should, however, refer 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 2015 financial results contained within this AIS are unaudited and preliminary. The annual independent audit of this State's Basic Financial Statements is expected to be completed by July 29, 2015. 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, 2015. These reports will contain the final FY 2015 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 2014 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.

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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: (a) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224, or (b) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

Overview of the State Budget Process and Budgetary and Accounting Practices

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The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution, the State Finance Law, and the Legislative Law. The annual budget process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1 (the submission date is February 1 in years following a gubernatorial election). The DOB prepares a multi-year Financial Plan ("State Financial Plan") as part of the Executive Budget. The State Financial Plan sets forth projected receipts and disbursements for the current fiscal year, the "budget" year (i.e., the upcoming fiscal year), and the three subsequent fiscal years ("outyears"). It must be accompanied by bills that: (a) set forth all proposed appropriations and reappropriations, (b) provide for any new or modified revenue measures, and (c) make any other changes to existing law necessary to implement the budget recommended by the Governor. The General Fund must be balanced on a cash basis, as described below.

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike or reduce an item of appropriation submitted by the Governor. The Legislature may add distinct new items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation separately added by the Legislature or a bill (or a portion thereof) related to the budget, these separately added items of appropriation or such bill can be reconsidered in accordance with the rules of each house of the Legislature. If, upon reconsideration, the items are approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other budget bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the enacted budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates and projections in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economic outlook, updated data on program activities, new actions taken by the Governor or the Legislature, and other factors. As required by the State Finance Law, DOB updates the State Financial Plan generally issuing reports by July 30, October 30, and as part of the Executive Budget in January or February of each year.

Once the budget is adopted for the fiscal year, the Legislature may enact one multi-purpose appropriation bill and additional single-purpose appropriation bills or revenue measures (including tax law changes) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature may override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature in any fiscal year to supplement existing appropriations or provide new appropriations for purposes not covered by the regular and supplemental appropriations.

Significant Budgetary/Accounting Practices

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

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

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

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

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

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

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

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

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

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Financial Plan Overview

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The following table provides certain Financial Plan information for FY 2015 and FY 2016.

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

	FY 2015		FY 2016	
	Revised[1]	Results	Executive Amended[2]	Enacted
State Operating Funds Disbursements				
Size of Budget	$92,376	$92,426	$93,988	$94,250
Annual Growth	1.9%	2.0%	1.7%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	$54,835	$54,255	$57,361	$57,814
	5.2%	4.0%	5.7%	6.6%
General Fund (Including Transfers)[3]	$63,181	$62,856	$70,629	$72,090
	3.2%	2.6%	12.4%	14.7%
State Funds (Including Capital)	$98,667	$98,148	$102,554	$103,127
	2.4%	1.9%	4.5%	5.1%
Capital Budget (Federal and State)*	$7,995	$7,548	$9,374	$9,212
	3.1%	-2.6%	24.2%	22.0%
Federal Operating Aid (Excluding Extraordinary Aid) *	$37,342	$38,669	$38,271	$39,385
	-0.4%	3.1%	-1.0%	1.9%
All Funds (Excluding Extraordinary Aid) *	$137,713	$138,643	$141,633	$142,847
	1.4%	2.0%	2.2%	3.0%
Capital Budget (Including "Off-Budget") *	$8,906	$8,287	$10,387	$10,101
	-2.2%	-9.0%	25.3%	21.9%
All Funds (Including "Off-Budget" Capital) *	$138,624	$139,382	$142,646	$143,736
	1.0%	1.6%	2.3%	3.1%
Inflation (CPI)	1.4%	1.2%	0.9%	0.5%
All Funds Receipts				
Taxes	$70,512	$71,034	$74,450	$74,562
	1.2%	1.9%	4.8%	5.0%
Miscellaneous Receipts	$30,426	$29,438	$25,075	$25,410
	25.6%	21.5%	-14.8%	-13.7%
Federal Grants *	$41,746	$43,388	$41,940	$43,194
	-0.9%	3.0%	-3.3%	-0.4%
Total Receipts *	$142,684	$143,860	$141,465	$143,166
	4.9%	5.7%	-1.7%	-0.5%
General Fund Reserves	$7,768	$7,300	$3,229	$3,495
Stabilization/Rainy Day Reserve Funds	$1,796	$1,798	$1,796	$1,798
All Other Reserves/Fund Balances[4]	$5,972	$5,502	$1,433	$1,697
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,379	117,807	119,235	119,349
Debt[5]				
Debt Service as % All Funds Receipts	4.3%	4.5%	4.1%	3.7%
State-Related Debt Outstanding	$54,896	$54,192	$56,915	$55,319
Debt Outstanding as % Personal Income	4.9%	4.9%	4.9%	4.8%

1 Updated in February 2015 as part of the FY 2016 Executive Budget, as amended.

2 The annual percentage change calculations in the FY 2016 "Executive Amended" column have been updated for FY 2015 year-end results.

3 Reflects the extraordinary transfer of one-time monetary settlement receipts from the General Fund to (a) the new Dedicated Infrastructure Investment Fund ($4.55 billion) and (b) the mental hygiene account to fund a portion of a Federal disallowance for OPWDD ($850 million).

4 Change in reserves in FY 2016 reflects the one-time extraordinary transfers described in the prior note.

5 Excludes capital leases and mortgage loan commitments. Capital leases and mortgage loan commitments are included in all figures and references to State-related debt in this AIS unless otherwise specifically noted.

* All Funds, Federal Operating Funds and Capital Projects Funds receipts and disbursements exclude (a) Federal disaster aid for Superstorm Sandy, (b) additional Federal aid associated with Federal health care reform, and (c) capital spending from the one-time monetary settlements with financial institutions. Including disbursements for these purposes, All Funds disbursements are expected to total $152.2 billion in FY 2016, an increase of 5.7 percent.

General Fund Cash Basis Financial Plan

Summary of Preliminary Unaudited Results for FY 2015 (Ended March 31, 2015)

In FY 2015, the State received a windfall from monetary settlements with financial institutions. The one-time payments had a dramatic effect on the State's cash position. When the budget for FY 2015 was enacted, DOB estimated the State would end the fiscal year with a General Fund cash balance of approximately $2.1 billion. Largely as a result of the monetary settlement payments, the General Fund ended the year with a balance of $7.3 billion, approximately $5.2 billion above the initial estimate. The sources and uses of actual and expected monetary settlement payments are described more fully later in this AIS. Unless otherwise noted, the discussion of operating results for FY 2015 excludes the impact of the monetary settlement payments.

The following table summarizes the variance between the Executive Budget Financial Plan (dated February 2015) and actual results, with and without the impact of monetary settlements.

FY 2015 GENERAL FUND OPERATING RESULTS SUMMARY OF CHANGES FROM EXECUTIVE BUDGET (millions of dollars)	
Receipts Changes	**(60)**
Tax Receipts (After Debt Service)	210
Miscellaneous Receipts/Other Non-Tax Revenue	(270)
Spending Changes	**(325)**
Local Assistance	(394)
Agency Operations (incl. GSCs)	(186)
Transfers to Other Funds	255
OPERATING RESULTS (Excluding Monetary Settlements)	**265**
Timing of Monetary Settlements	**(733)**
BNP Paribas (Received in FY 2016)	(1,343)
Commerzbank (New)	610
NET CHANGE IN FUND BALANCE	**(468)**

General Fund tax receipts, including the transfer of tax receipts to the General Fund after payment of debt service, totaled $58.6 billion, $210 million higher than projected in the Executive Budget. This was due to stronger gross bank tax and corporate franchise tax receipts, and lower PIT-related debt service transfers. Miscellaneous receipts and non-tax transfers, excluding the amounts related to monetary settlements, totaled $4.6 billion, or $270 million lower than expected. Licenses, fee revenues, and transfers from other funds fell below planned levels.

General Fund disbursements, including transfers to other funds, totaled $62.9 billion, a decrease of $325 million from the Executive Budget estimate. Spending was lower than planned across a range of programs and activities for local assistance ($394 million), agency operations ($186 million), and transfers to support mental hygiene costs and various other programs ($127 million).

This lower spending was partly offset by higher transfers for capital projects ($376 million), due to the timing of bond reimbursements for first-instance capital spending from the General Fund.

As shown in the table above, General Fund operating results, excluding the impact of monetary settlement payments, were $265 million better than expected, compared to the Executive Budget estimate. The entire amount is expected to be used in FY 2016 to cover costs across a range of agencies and programs that were originally budgeted in FY 2015 but are now expected to occur in FY 2016, and to provide funding for new costs associated with the FY 2016 Enacted Budget agreement.

The State deposited approximately $315 million to the State's rainy day reserves at the close of FY 2015, the maximum amount allowable under the deposit calculations set forth in law, bringing the balance in the rainy day reserves to $1.8 billion, or 2.9 percent of FY 2015 General Fund spending.

Monetary settlement receipts in FY 2015 were $733 million lower than expected due to the delayed receipt of $1.3 billion in settlement payments from BNP Paribas, partly offset by the receipt of $610 million from Commerzbank related to violations of New York State banking law and regulations.

The State ended FY 2015 with a General Fund balance of $7.3 billion, which was $468 million below the estimate in the Executive Budget Financial Plan. This was derived primarily from the net change in monetary settlement payments ($733 million), partly offset by available resources due to operating variances ($265 million).

The $7.3 billion year-end balance includes $4.7 billion from monetary settlement payments that the State plans to use to fund one-time initiatives; $1.8 billion in the State's rainy day funds; $500 million set aside for future debt management actions, including debt reduction; $74 million in the Community Projects Fund; $21 million in the Contingency Reserve Fund; $50 million set aside to cover the costs of potential retroactive labor settlements; and $190 million in excess resources that will be used in FY 2016 for operations, including certain transactions that did not occur in FY 2015 as expected.

FY 2016 Financial Plan

DOB estimates that the FY 2016 Enacted Budget provides for balanced operations in the General Fund, as required by law. The following table summarizes the projected annual changes from FY 2015 to FY 2016 in General Fund receipts, disbursements, and fund balances.

GENERAL FUND FINANCIAL PLAN
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Annual Change Dollar	Annual Change Percent
Opening Fund Balance	2,235	7,300	5,065	226.6%
Taxes (After Debt Service)	58,644	62,622	3,978	6.8%
Miscellaneous Receipts/Federal Grants	8,412	4,365	(4,047)	-48.1%
Other Transfers	865	1,298	433	50.1%
Total Receipts	67,921	68,285	364	0.5%
Local Assistance Grants	41,592	44,356	2,764	6.6%
Departmental Operations:	7,664	8,263	599	7.8%
Personal Service	*5,806*	*6,079*	*273*	*4.7%*
Non-Personal Service	*1,858*	*2,184*	*326*	*17.5%*
General State Charges	4,999	5,195	196	3.9%
Transfers to Other Funds[1]	8,601	14,276	5,675	66.0%
Total Disbursements	62,856	72,090	9,234	14.7%
Excess (Deficiency) of Receipts Over Disbursements	5,065	(3,805)	(8,870)	-175.1%
Closing Fund Balance	7,300	3,495	(3,805)	-52.1%
Statutory Reserves:				
"Rainy Day" Reserve Funds	1,798	1,798	0	
Community Projects Fund	74	74	0	
Contingency Reserve Fund	21	21	0	
Fund Balance Reserved for:				
Debt Management	500	500	0	
Prior-Term Labor Agreements	50	60	10	
Undesignated Reserve	190	0	(190)	
Monetary Settlements[1]	4,667	1,042	(3,625)	

[1] Includes one-time extraordinary transfer of $4.55 billion in monetary settlements from the General Fund to the Dedicated Infrastructure Investment Fund, and the transfer of $850 million to finance the FY 2016 cost of a multi-year settlement agreement for prior-year OPWDD-related Federal Medicaid disallowances.

Receipts

General Fund receipts, including transfers from other funds, are expected to total $68.3 billion in FY 2016, an annual increase of $364 million (0.5 percent). Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, are expected to total $62.6 billion in FY 2016, an increase of nearly $4 billion (6.8 percent).

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are expected to increase by $4 billion from FY 2015. This primarily reflects increases in withholding payments attributable to the 2015 tax year and extension payments attributable to the 2014 tax year.

General Fund user 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 2016, an increase of $360 million (2.9 percent) from FY 2015, reflecting projected consumer spending increases across a broad range of consumption categories, offset by declines in cigarette consumption.

General Fund business tax receipts are estimated at $5.9 billion in FY 2016, a decrease of $368 million (-5.9 percent) from FY 2015 results. The estimate reflects a decline in corporate franchise tax receipts resulting from the first year of corporate tax reform, partly offset by growth in the corporation and utilities, and insurance taxes.

Other tax receipts in the General Fund are expected to total nearly $2 billion in FY 2016, a decrease of $9 million (-0.5 percent) from FY 2015. The estimate reflects a decline in expected estate tax receipts, the result of 2014 legislation that increased the estate tax filing threshold, partially offset by an increase in real estate transfer tax receipts.

General Fund miscellaneous receipts are estimated at nearly $4.4 billion in FY 2016, an annual decrease of over $4 billion. The decrease largely reflects the large amount of monetary settlements received in FY 2015, and the multi-year release of State Insurance Fund (SIF) reserves as a result of Workers' Compensation law changes. The amount of SIF reserves released is expected to decline from $1 billion in FY 2015 to $250 million in FY 2016, consistent with the terms of the enacted legislation.

Non-tax transfers to the General Fund are expected to total $1.3 billion, an increase of $433 million. As with miscellaneous receipts, the annual change in non-tax transfers is affected, in part, by the monetary settlements. Under State forfeiture laws, approximately $298 million of the BNP Paribas monetary settlement is expected to be deposited temporarily in a State Special Revenue Fund in FY 2016. DOB expects to transfer approximately $293 million of these funds to the General Fund by the close of FY 2016, leaving $5 million to expand services delivered by the Office of Alcoholism and Substance Abuse Services (OASAS).

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 2016 Through 2019" herein.

Disbursements

General Fund disbursements, including transfers to other funds, are expected to total $72.1 billion in FY 2016, an increase of $9.2 billion (14.7 percent) from FY 2015 spending levels. The increase includes one-time extraordinary transfers of $4.55 billion in monetary settlement receipts from the General Fund to the Dedicated Infrastructure Investment Fund (DIIF), and $850 million to finance the FY 2016 cost of a multi-year settlement agreement for the resolution of the Federal OPWDD Disallowance.

Local assistance grants are expected to total $44.4 billion, an annual increase of $2.8 billion (6.6 percent), including $1.7 billion for School Aid and roughly $550 million for Medicaid. Other local assistance increases include, among other things, payments for a range of social services, public health, and general purpose aid programs, as well as accounting reclassifications that have the effect of moving spending between financial plan categories, mainly for Medicaid payments to State-operated facilities.

State operations disbursements in the General Fund are expected to total $8.3 billion in FY 2016, an annual increase of $599 million (7.8 percent). An additional (27th) payroll, by agencies that provide institutional services, that occurs in FY 2016 adds $167 million in one-time costs. Other spending increases include $145 million for the Department of Health (DOH) to operate the New York State of Health (NYSOH) Exchange, continue the transition of administrative functions from local service districts to the State, and operate the new Basic Health Plan (BHP); $48 million for the Department of Corrections and Community Supervision (DOCCS), mainly for inmate medical expenses; and $36 million for the operations of the Judiciary. In addition, IT services that have been consolidated in the General Fund from non-General Fund accounts results in increased General Fund spending ($86 million).

General State Charges (GSCs) are expected to total $5.2 billion in FY 2016, an annual increase of $196 million (3.9 percent) from FY 2015. Health insurance costs are projected to increase $132 million or 4 percent. The State's annual pension payment is expected to increase by $89 million, mainly due to repayment of amounts amortized in prior years. The State expects to continue to amortize pension costs in excess of the amortization thresholds established in law. In FY 2016, costs in excess of 14.5 percent of payroll for the Employees' Retirement System (ERS) and 22.5 percent for the Police and Fire Retirement System (PFRS) are expected to be amortized.

General Fund transfers to other funds are expected to total $14.3 billion in FY 2016, an increase of $5.7 billion from FY 2015. The annual change is mainly attributable to the Capital Projects transfer in support of DIIF ($4.6 billion). In addition, $850 million from monetary settlements will be used to pay the FY 2016 cost for resolution of the Federal OPWDD Disallowance. These increases are partly offset by the substantial prepayment in FY 2015 of debt service amounts due in FY 2016.

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 2016 Through 2019” herein.

Closing Balance for FY 2016

DOB projects that the State will end FY 2016 with a General Fund cash balance of $3.5 billion, a decrease of $3.8 billion from the FY 2015 closing balance. The decline mainly reflects the planned transfers of monetary settlement funds to the DIIF ($4.6 billion) and the funding of the OPWDD Federal disallowance ($850 million), partly offset by unbudgeted monetary settlements. In addition, the reduction in balance includes the use of resources from FY 2015 ($190 million).

TOTAL DISBURSEMENTS
(millions of dollars)

	FY 2015 Results	FY 2016 Estimate	Annual Change
TOTAL GENERAL FUND BALANCE	**7,300**	**3,495**	**(3,805)**
Statutory Reserves:			
"Rainy Day" Reserve Funds	1,798	1,798	0
Community Projects Fund	74	74	0
Contingency Reserve Fund	21	21	0
Fund Balance Reserved for:			0
Debt Management	500	500	0
Prior-Term Labor Agreements	50	60	10
Undesignated Reserve	190	0	(190)
Monetary Settlements	4,667	1,042	(3,625)
Budgeted Settlements:			
BNP Paribas	0	1,348	
All Other*	4,332	4,332	
Planned Use of Settlement Funds	(275)	(5,680)	
Unbudgeted Settlements:			
Commerzbank	610	692	
Deutsche Bank	0	600	
Planned Use of Settlement Funds	0	(250)	

*All monetary settlement resources received in FY 2015 carry over to the FY 2016 opening balance, when these, in addition to BNP Paribas resources, are planned for use. For a more complete discussion of monetary settlements, see "Monetary Settlements" herein.

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 2016.

The Enacted Budget maintains a reserve of $500 million for debt management purposes in FY 2016, unchanged from the level held at the end of FY 2015. DOB will make a decision on the use of these funds based on market conditions, Financial Plan needs, and other factors.

The Financial Plan continues to set aside money in the General Fund balance to cover the costs of potential retroactive labor settlements with unions that have not agreed to terms for prior contract periods. The amount identified is calculated based on the "pattern" settlement for FY 2008 through FY 2011 that was agreed to by the State's largest unions. The amount set aside is expected to be reduced as labor agreements for prior periods are reached with unsettled unions.

FY 2016 Detailed Gap-Closing Plan

The following table and narrative provide a summary of the proposed gap-closing plan.

FY 2016 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE[1]	**(1,814)**	**(2,578)**	**(4,034)**	**(5,777)**
SPENDING CHANGES	**757**	**515**	**735**	**830**
Agency Operations	**141**	**(25)**	**53**	**244**
Executive Agency Operations	106	(9)	(15)	10
Fringe Benefits/Fixed Costs	102	57	140	292
University Systems	(11)	(8)	(7)	7
Judiciary	(56)	(65)	(65)	(65)
Local Assistance	**1,244**	**887**	**1,139**	**1,271**
Education	276	164	408	330
STAR	96	106	106	106
Mental Hygiene	280	105	123	293
DOH Global Cap -Statewide Medicaid Savings	200	200	200	200
Medicaid/HCRA	100	53	69	109
Social Services/Housing	129	95	103	102
Higher Education	71	127	97	99
All Other	92	37	33	32
Capital Projects/Debt Management	**121**	**385**	**329**	**335**
Initiatives/Investments [2]	**(749)**	**(732)**	**(786)**	**(1,020)**
School Aid	(250)	(371)	(387)	(407)
Other Education	(103)	(87)	(59)	(59)
Social Welfare	(79)	(24)	(24)	(24)
Health Care	(68)	(53)	(53)	(53)
Higher Education	(68)	(70)	(71)	(77)
Mental Hygiene	(36)	(35)	(35)	(35)
Transportation	(34)	(1)	(1)	(1)
Public Safety	(28)	(18)	(18)	(18)
Debt Service for Bonded Capital	(11)	(51)	(115)	(199)
All Other	(72)	(22)	(23)	(147)
RESOURCE CHANGES (NET OF NEW COSTS)	**1,057**	**9**	**652**	**732**
Tax Reestimates	215	320	748	924
Tax Extenders / Tax Credits	15	82	160	90
Resolution of Federal OPWDD Disallowance	(850)	(100)	(100)	(100)
Use of Reserve for Federal Disallowance	850	0	0	0
All Other	827	(293)	(156)	(182)
Adherence to 2% Spending Benchmark [3]	**n/a**	**2,333**	**4,349**	**5,821**
SURPLUS/(GAP) ESTIMATE	**0**	**279**	**1,702**	**1,606**

1 Before actions to adhere to the 2 percent benchmark.

2 Reflects Executive initiatives, including reserves to fund costs anticipated from future investments and initiatives, and distinct new spending additions to the Executive Budget agreed to during negotiations. Restorations to Executive Budget proposals are reflected in the appropriate "Spending Changes" and "Tax Extenders/Credits" categories.

3 Savings estimated from limiting annual spending growth in future years to 2 percent. The Governor is expected to propose, and negotiate with the Legislature to enact, a Budget in each fiscal year that restricts State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). These costs have significantly declined over the past several years through ongoing State agency redesign and cost-control efforts. Reductions from the mid-year "current services" projections for agency operations contribute $141 million to the General Fund gap-closing plan. Specifically:

- **Executive Agencies:** The Enacted Budget Financial Plan generally holds personal service and non-personal service spending flat. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, particularly at mental hygiene State-operated facilities.

- **Fringe Benefits/Fixed Costs:** Estimates for the State's pension costs have been revised downward to reflect the interest savings from paying the FY 2016 pension bill by the end of July 2015, rather than on the due date of March 1, 2016. The State's health insurance costs have been revised to reflect lower than projected rate renewals, and a planned audit to identify and remove ineligible dependents from the New York State Health Insurance Program (NYSHIP). In addition, State Workers' Compensation costs have been adjusted to reflect lower medical inflation rates and slower growth in average weekly wages.

- **University Systems:** Spending for the State University of New York (SUNY) is projected to decline, mainly due to the closure of the Long Island College Hospital (LICH). Over the Financial Plan period, spending in the university systems is expected to grow, on average, by roughly 2 percent annually.

- **Independent Officials:** Spending for the Legislature, the Department of Audit and Control (OSC), and the Department of Law is projected to remain essentially flat through FY 2019. Judiciary spending is projected to increase by 1.7 percent in FY 2016, driven primarily by the authorization in the FY 2015 Enacted Budget for additional Family Court Justices, statutory salary increases for non-judicial employees represented by the Civil Service Employees Association (CSEA), and increased funding for civil legal services.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals.[2] Reductions from the current-services projections for local assistance spending are expected to generate $1.2 billion in General Fund savings. Expected savings from targeted actions and continuation of prior-year cost containment actions include:

- **Education:** The Executive Budget proposed a 4.8 percent ($1.1 billion) increase in School Aid for the 2015-16 school year, which was offset by downward revisions to spending based on revised school district data as of November 2014, and revised estimates of costs associated with the preschool special education program and the summer school special education program. In the Enacted Budget, the Executive and Legislature agreed to additional School Aid for the 2015-16 school year for a total increase of $1.4 billion (6.1 percent). In addition, the Enacted Budget includes funding for Persistently Failing Schools Transformation Grants to help turn around schools identified as having persistently low student achievement. The new spending authorized in budget negotiations is shown distinctly in the table under "Initiatives/Investments - School Aid."

- **STAR:** The Enacted Budget aligns the New York City benefit with the STAR exemption program provided to the rest of the State by restricting the New York City PIT rate reduction to residents with incomes lower than $500,000. In addition to these proposed savings, current STAR spending estimates have been reduced to reflect a decline in the estimated number of STAR exemption recipients.

- **Mental Hygiene:** The reduction in projected Mental Hygiene spending primarily stems from an acceleration of payments -- into FY 2015 -- associated with the State's transition to Medicaid Managed Care, and prepayments for Voluntary Operated Intermediate Care Facilities and Day Habilitation services. It also reflects the use of Balancing Incentive Program (BIP) resources, authorized through the ACA, to support a number of new spending investments over a multi-year period. Additionally, the reduction shows slower than expected FY 2016 growth in OPWDD and the Office of Mental Health (OMH). Growth in the level of Medicaid-eligible costs also generates a projected reduction in Mental Hygiene spending. State Budget actions also reduce Mental Hygiene spending, reflecting efforts to "rightsize" State institutions, primarily in OPWDD, and to transition individuals with developmental disabilities to less costly, community-based settings.

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

- **Medicaid:** The Enacted Budget Financial Plan includes $200 million in annual State-share Medicaid savings beginning in FY 2016, a portion of which is achieved by funding certain OPWDD-related Medicaid costs under the Medicaid Global Cap. To accommodate these additional costs, DOH will use $815 million in additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 from accelerating the enrollment in BHP of legally residing immigrants currently receiving State-only Medicaid. Under BHP, the cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. BHP resources will also be used by DOH to offset fiscal constraints on the Global Cap, and to implement initiatives consistent with the goals of the Medicaid Redesign Team (MRT).

  In addition, downward revisions to certain public health programs financed by HCRA result in surplus resources available to support additional General Fund Medicaid spending.

- **Social Services/Housing:** Lower spending is expected in several programs, including Supplemental Security Income (SSI), Foster Care, Child Care, Adoption, Close to Home, and Special Education. In addition, General Fund savings are achieved by funding certain housing programs from the Mortgage Insurance Fund. These savings are partially offset by increased spending in Child Welfare and Adult Protective/Domestic Violence.

- **Higher Education:** Estimated spending has been lowered across several areas, including fringe benefit costs, community college base aid, Tuition Assistance Program (TAP) and scholarship programs.

- **All Other:** Lower General Fund spending is expected for local government grant awards, public safety, economic development, and health care programs.

Capital Projects/Debt Management

- Savings are expected to be achieved through continuing the use of competitive sales, refunding of higher-cost debt as market conditions permit, and efficiencies from the consolidation of bond sales. In addition, projections reflect the impact of revised capital spending estimates and future bonding assumptions.

Initiatives/Investments

- The Enacted Budget includes significant spending additions for education, human services, and health care. During negotiations, the Executive and Legislature agreed to approximately $625 million in distinct new spending additions to the FY 2016 Executive Budget. The summary of legislative changes follows, under the heading, “Negotiated and Other Changes to the Executive Budget.”

Resource Changes

- **Tax Receipts:** The estimate for annual tax receipts has been revised upward across all major tax categories to reflect results to date.

- **Tax Extenders/Tax Credits:** The Enacted Budget includes various tax extenders and an expansion of existing tax credits, the largest of which include:

  - **Create the Urban Youth Jobs Program.** Doubles the annual allocation to $20 million for program years 2015 through 2017. This program builds and expands upon the success of the Youth Works Tax Credit Program, which provided a credit to employers who hire unemployed, at risk youth.

  - **Extend the Limitation on Charitable Contribution Deductions for High Income New York State and New York City Personal Income Taxpayers for Two Years.** The limitation on charitable contribution deductions for New York State and New York City taxpayers with adjusted gross income over $10 million is extended. The charitable contribution deduction limitation of 25 percent allowed under State Tax Law would have otherwise expired at the end of tax year 2015. The limitation has had no noticeable impact on charitable giving.

  - **Extend Warrantless Wage Garnishment for Two Years.** The authorization for DTF to garnish wages of delinquent taxpayers without filing a warrant with the DOS or County Clerks is extended. The current program, now set to expire on April 1, 2017, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF. The program has also proven to be taxpayer friendly, since warrants appear on an individual's credit report for seven years, even if the delinquency has been resolved.

- **Resolution of Federal OPWDD Disallowance:** On March 20, 2015, the State and the Centers for Medicare and Medicaid Services (CMS) signed an agreement that resolves a pending disallowance for FY 2011, and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State will adjust the Federal/State share of future Medicaid costs to reimburse the Federal government $850 million in April 2015, and $100 million annually for each of the next 11 years beginning in FY 2017. The State will use $850 million in monetary settlement payments previously set aside for financial risks, to finance the FY 2016 cost of the Federal disallowance settlement.

- **Other Resources Changes:** Other resources largely reflects the substantial prepayment in FY 2015 of debt service amounts due in FY 2016. In addition, the timing of certain transfers and other transactions at the end of FY 2015 had the effect of making additional resources available for FY 2016.

Negotiated and Other Changes to Executive Budget

As further described below and as reflected in the following table, the Executive and Legislature, working from the Executive proposal, restored and added spending, amended tax laws and agreed on certain additional costs to be financed with additional available resources.

During negotiations, the Executive and Legislature agreed to $625 million in General Fund spending additions to the FY 2016 Executive Budget proposal. These include restorations, which are costs from the rejection of certain savings proposals contained in the Executive Budget. The additions were based on target amounts for individual budget conference committees, and as negotiated among the committees. The most significant addition was for School Aid. The Executive and Legislature also reached agreement on the reprogramming of certain spending initiatives proposed in the Executive Budget.

Negotiations on tax law changes resulted in a number of changes from the Executive proposal, including the elimination of the Executive-proposed property tax credit which, if fully phased in, would have provided $1.7 billion in tax relief. In addition, the Enacted Budget excludes the proposed establishment of an education investment tax credit and a reduction to corporate income taxes for small businesses.

The Enacted Budget includes additional costs in the Financial Plan associated with budget negotiations, as well as other costs that have materialized since the Executive Budget was proposed. Additional costs negotiated as part of the Enacted Budget include legislative rejection of proposed changes to the financing of the State's STAR program and the proposed health exchange user fee. The Enacted Budget includes new costs to address persistently failing schools, which will be required to have a State-approved improvement plan in place with student achievement metrics and goals; additional snow and ice costs; and the settlement agreement between the State and CMS concerning existing and potential CMS audit disallowances for State-operated payment rates for services prior to FY 2014.

Other resources have been identified to finance the restorations and additions, and to provide for a balanced budget in FY 2016. These include reestimates to disbursements and receipts based on operating results for FY 2015, resources made available by the substantial prepayment of debt service expenses in FY 2015 of amounts due during FY 2016, and other prepayments and management actions.

The table below summarizes all the changes to the FY 2016 Executive Budget, as amended, including the impact on outyear projections.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN
GENERAL FUND
(millions of dollars)

	FY 2016	FY 2017	FY 2018	FY 2019
RESTORATIONS/ADDITIONS	**(625)**	**(546)**	**(524)**	**(544)**
School Aid	(250)	(371)	(387)	(407)
Other Education Aid	(72)	(47)	(18)	(18)
Higher Education	(78)	(64)	(55)	(55)
Human Services/Labor	(60)	(18)	(18)	(18)
Health (incl. DOH Medicaid)	(51)	(31)	(31)	(31)
Housing/Agriculture/Environment	(20)	(2)	(2)	(2)
Transportation	(23)	(4)	(4)	(4)
General Government/Local Government Assistance	(20)	(4)	(4)	(4)
Economic Development	(19)	0	0	0
Public Protection/Criminal Justice/Judiciary	(17)	0	0	0
Mental Hygiene	(15)	(5)	(5)	(5)
NET TAX REVISIONS TO EXECUTIVE PLAN	**(33)**	**272**	**845**	**1,293**
Not Accepted:				
Real Property Tax Credit	0	350	850	1,350
Education Tax Credit	0	0	100	100
Reduce Income Tax on Small Businesses	0	26	29	32
Driver's License Suspension Requirements	(9)	(3)	(3)	(3)
Limit Sales Tax Avoidance	(5)	(10)	(10)	(10)
Reform Sales Tax on Industrial Development Authorities	(4)	(9)	(9)	(9)
Professional License Tax Clearance	0	(3)	(3)	(3)
Reciprocal Tax Agreement With Other States	(1)	(3)	(3)	(3)
Reform Investment Tax Credit on Master Tapes	0	0	(15)	(15)
Expand Sales Tax to Marketplace Providers	0	(56)	(56)	(56)
All Other	(4)	(10)	(10)	(10)
Modified/New:				
Wage Garnishment Requirements	0	0	(15)	(15)
Limit Personal Income Tax Charitable Itemized Deductions	0	0	0	(55)
Other Sales Tax	(10)	(10)	(10)	(10)
ADDITIONAL COSTS	**(305)**	**(399)**	**(387)**	**(386)**
No School Tax Relief/Income Tax Credit	(152)	(155)	(156)	(157)
No Health Exchange User Fee	(69)	(69)	(56)	(54)
Persistently Failing Schools Transformation Grants	(53)	(75)	(75)	(75)
Transportation - Snow and Ice Cost	(31)	0	0	0
Audit Disallowance - Federal Settlement	n/a	(100)	(100)	(100)
AVAILABLE RESOURCES	**963**	**354**	**767**	**241**
NET SAVINGS/(COSTS)	**0**	**(319)**	**701**	**604**

Monetary Settlements

The Department of Financial Services (DFS), Department of Law, and the Manhattan District Attorney's Office have reached financial settlements with a number of banks and other associated entities for violations of New York banking laws, and with a number of insurance companies and other associated entities for violations of New York insurance laws. The State has received a total of $7 billion from monetary settlements in FY 2015 and FY 2016 including two settlements, valued at approximately $1.3 billion, that were not part of budget negotiations. The Enacted Budget for FY 2016 earmarks $5.4 billion for one-time purposes, including $4.6 billion for capital projects to support economic development and infrastructure investments and $850 million for a Federal disallowance settlement. In addition, the General Fund included $275 million in FY 2015 and $250 million in FY 2016 for operating purposes. The Financial Plan assumes monetary settlements in the amount of $100 million in each of FY 2017 and FY 2018. Note that the Financial Plan does not reflect the May 2015 consent order between DFS and Barclays Bank PLC, and Barclays Bank PLC, New York Branch (collectively, "Barclays"). In May 2015, Barclays paid a $485 million civil monetary penalty to the State pursuant to that consent order.

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

	FY 2015	FY 2016
Monetary Settlements Received	**4,942**	**2,030**
BNP Paribas	2,243	1,348
Department of Financial Services (DFS)	2,243	0
Asset Forfeiture (DANY)	0	1,348
Credit Suisse AG	715	0
Commerzbank	610	82
Deutsche Bank	0	600
Bank of Tokyo Mitsubishi	315	0
Bank of America	300	0
Standard Chartered Bank	300	0
Bank Leumi	130	0
Ocwen Financial	100	0
Citigroup (State Share)	92	0
MetLife Parties	50	0
American International Group, Inc.	35	0
PricewaterhouseCoopers	25	0
AXA Equitable Life Insurance Company	20	0
Other Settlements	7	0
Enacted Budget Use of Available Settlements	**(275)**	**(6,697)**
Settlements Budgeted in Financial Plan	(275)	(250)
Transfer to Support OASAS Chemical Dependence Program		(5)
Transfer to Dedicated Infrastructure Investment Fund		(4,550)
Audit Disallowance - Federal Settlement		(850)
Undesignated		(1,042)

List of Settlements

The following settlements were received, or are expected to be received by the State.

- BNP Paribas, S.A. New York Branch (BNPP) paid the State nearly $3.6 billion pursuant to (i) a June 29, 2014 consent order between DFS and BNPP and (ii) a June 30, 2014 plea agreement between BNPP and the New York County District Attorney (DANY) in connection with conduct by BNPP which violated U.S. national security and foreign policy and raised serious safety and soundness concerns for regulators, including the obstruction of governmental administration, failure to report crimes and misconduct, offering false instruments for filing, and falsifying business records.

- Credit Suisse AG paid $715 million as a civil monetary penalty to the State pursuant to a May 18, 2014 consent order between DFS and Credit Suisse AG. This stemmed from Credit Suisse AG's decades-long operation of an illegal cross-border banking business whereby Credit Suisse AG knowingly and willfully aided thousands of U.S. clients in opening and maintaining undeclared accounts and concealing their offshore assets and income from the Internal Revenue Service and New York authorities.

- Commerzbank AG New York Branch and Commerzbank AG (collectively "Commerzbank") paid a $610 million civil monetary penalty in accordance with a March 12, 2015 consent order between Commerzbank and the New York State DFS for violations of New York State Banking Law and regulations in connection with transactions on behalf of Iran, Sudan, and a Japanese corporation that engaged in accounting fraud. The State also received an additional $81.7 million in penalties and forfeiture from Commerzbank AG in accordance with a Deferred Prosecution Agreement entered into by Commerzbank AG with the Manhattan District Attorney's Office and the United States Department of Justice, for moving more than $250 million through the U.S. financial system primarily on behalf of Iranian and Sudanese customers in violation of U.S. sanctions by concealing the illegal nature of these transactions and deceiving U.S. banks into processing illegal wire payments.

- Deutsche Bank AG and Deutsche Bank AG, New York Branch (collectively "Deutsche Bank") paid a civil monetary penalty to the State in the amount of $600 million in accordance with an April 23, 2015 consent order between Deutsche Bank and the New York State DFS for violations of New York State Banking Law and regulations in connection with the manipulation of benchmark interest rates, including the London Interbank Offered Rate, the Euro Interbank Offered Rate and Euroyen Tokyo Interbank Offered Rate.

- The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) paid a $315 million civil monetary penalty pursuant to a November 18, 2014 consent order between DFS and BTMU. The consent order pertains to actions taken by BTMU which wrongfully misled DFS in connection with its understanding of BTMU's U.S. dollar clearing services on behalf of sanctioned Sudanese, Iranian, and Burmese parties, the transactions of which were settled through

the New York Branch and other New York financial institutions. BTMU had previously paid to the State a $250 million civil monetary penalty pursuant to a previous June 19, 2013 consent order between DFS and BTMU related to BTMU unlawfully clearing through the New York Branch and other New York-based financial institutions an estimated 28,000 U.S. dollar payments, valued at approximately $100 billion, on behalf of certain sanctioned parties.

- Bank of America (BofA) paid $300 million to the State pursuant to an August 18, 2014 settlement agreement to remediate harms related to BofA's violations of State law in connection with the packaging, origination, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into BofA Corporation, Bank of America, N.A., and Banc of America Mortgage Securities, as well as their current and former subsidiaries and affiliates.

- Standard Chartered Bank, New York Branch (SCB NY) paid $300 million to the State pursuant to an August 19, 2014 consent order between the DFS and SCB NY for failure to fully comply with a September 21, 2012 consent order between the parties, by operating with certain ineffective risk management systems for the identification and management of compliance risks related to compliance with the Bank Security Act (BSA) and anti-money laundering (AML) laws, rules, and regulations, including BSA/AML risks related to U.S. dollar clearing for clients of SCB United Arab Emirates and SCB Hong Kong, among others.

- Bank Leumi paid a $130 million civil monetary penalty pursuant to a December 22, 2014 consent order between DFS and Bank Leumi. The consent order pertains to (i) Bank Leumi's knowing and willful operation of a wrongful cross-border banking business to assist U.S. clients in concealing assets offshore and evading U.S. tax obligations, and (ii) Bank Leumi misleading DFS about Bank Leumi's improper activities.

- Ocwen paid a $100 million civil monetary penalty and another $50 million as restitution to current and former Ocwen borrowers pursuant to a December 19, 2014 consent order between DFS and Ocwen. The consent order pertains, among other things, to numerous and significant violations of a 2011 agreement between Ocwen and DFS which required Ocwen to adhere to certain servicing practices in the best interest of borrowers and investors. The $100 million payment is to be used by the State for housing, foreclosure relief, and community redevelopment programs supporting New York's housing recovery. The $50 million restitution payment will be used to pay $10,000 each to current and former Ocwen-services borrowers in New York whose homes were foreclosed upon by Ocwen between January 1, 2009 and December 19, 2014. The balance of the $50 million will then be distributed equally among borrowers who had foreclosure actions filed against them by Ocwen between January 1, 2009 and December 19, 2014, but in which Ocwen did not complete such foreclosure action.

- Citigroup Inc. ("Citigroup") paid $92 million to the State pursuant to a July 2014 settlement agreement to remediate harms to the State resulting from the packaging, marketing, sale, structuring, arrangement, and issuance of residential mortgage-backed securities and collateralized debt obligations. The settlement agreement is the result of investigations by Federal and State entities into Citigroup.

- American Life Insurance Company (ALICO), Delaware American Life Insurance Company (DelAm), and MetLife, Inc. (MetLife) (collectively "MetLife Parties") paid $50 million as a civil fine pursuant to a March 31, 2014 consent order between DFS and MetLife. The consent order related to a DFS investigation into whether ALICO and DelAm conducted an insurance business in New York without a New York license, and aided other insurers in doing an insurance business in New York without a New York license.

- AIG paid a $35 million civil monetary penalty pursuant to an October 31, 2014 consent order between DFS and AIG. A DFS investigation uncovered that former subsidiaries, ALICO and DelAm, solicited insurance business in New York without a license and made intentional misrepresentations and omissions to DFS concerning those activities.

- PricewaterhouseCoopers LLP (PwC) paid $25 million to the State pursuant to an August 14, 2014 settlement agreement between the DFS and PwC to (i) resolve the DFS's investigation of PwC's actions in performing certain consulting services for the Tokyo Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. in 2007 and 2008, and (ii) establish the basis for a constructive relationship between the parties that will better protect investors and the public.

- AXA Equitable Life Insurance Company (AXA) paid $20 million as a civil fine pursuant to a March 17, 2014 consent order between DFS and AXA. The consent order related to whether AXA properly informed DFS regarding the implementation of its "AXA Tactical Manager" strategy.

Uses of Certain Monetary Settlements

The Executive intends to direct the one-time resources from the monetary settlements to fund non-recurring expenditures. The majority of the settlement resources are expected to be used to fund new capital investments.

The Enacted Budget established a new capital fund called the DIIF, to allow settlement money to be set aside for the purposes it is intended to fund. The Enacted Budget Financial Plan includes a transfer of $4.6 billion of the settlement funds from the General Fund to the DIIF during FY 2016. These resources will be on deposit in the DIIF to fund the following initiatives:

- **Upstate Revitalization Program ($1.5 billion):** The Enacted Budget includes $1.5 billion in funding for the Upstate Revitalization Initiative, whereby $500 million grants will be awarded to three upstate regions.

- **Thruway Stabilization Program ($1.3 billion):** The Enacted Budget includes $1.285 billion to fund capital expenses related to both the *New* NY Bridge, which will replace the Tappan Zee Bridge, and the statewide New York State Thruway system.

- **Broadband Initiative ($500 million):** The Enacted Budget establishes a $500 million *New* NY Broadband initiative 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 up to $355 million of 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 to be underserved by the Health Commissioner. Funding may be used to restructure debt obligations or fund capital improvements to facilitate mergers and consolidations of hospitals in rural communities. The Plan provides $15.5 million to support capital expenses of the Roswell Park Cancer Institute; $19.5 million to establish a community health care revolving capital fund; and $10 million for IT and other infrastructure costs associated with the inclusion of behavioral health sciences in the Medicaid Managed Care benefit package.

- **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.

- **Infrastructure Improvements ($115 million):** The Enacted Budget provides $115 million for infrastructure improvements to support transportation, upstate transit, rail, airport, port, and other infrastructure improvements or economic development projects.

- **Transformative Economic Development Projects ($150 million):** The Enacted Budget includes $150 million to support transformative economic development and infrastructure projects. The State's investment will catalyze private investment, spurring significant economic development and job creation to help strengthen local communities in Nassau and Suffolk counties and their economies.

- **Resiliency, Mitigation, Security, and Emergency Response ($150 million):** The Enacted Budget provides $150 million in settlement funds to support preparedness and response efforts related to severe weather events. These funds will also support efforts to prevent, prepare for, and respond to acts of terrorism, other public safety and health emergencies, and natural and man-made disasters.

- **Municipal Restructuring ($150 million):** The Enacted Budget provides $150 million 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.

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

The DIIF legislation permits the use of available funds in case of economic downturn, and/or to cover disallowances and/or settlements related to overpayment of Federal Medicare and Medicaid revenues in excess of $100 million. While the legislation provides the State with potential additional reserves for these purposes, the Enacted Budget Financial Plan does not assume these resources would be used for these purposes.

Other Uses

- **Resolution of Federal OPWDD Disallowance:** The Enacted Budget Financial Plan directed $850 million in monetary settlement funds to finance the first installment in a recently agreed to settlement between the State and Federal government to resolve Federal disallowances.

- **OASAS:** The Enacted Budget assumes that $5 million of settlement funds will be used to expand services provided by OASAS to individuals with dependencies on alcohol or drugs, or who have gambling problems.

- **Undesignated Reserves:** The Enacted Budget Financial Plan includes more than $1 billion in undesignated reserves related to the receipt of monetary settlements.

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 the Financial Plan. In addition, the surplus projections in future years are based on the assumption that annual growth in State Operating Funds spending is limited to 2 percent, and that all savings resulting 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, or defers payments, 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 reduction 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 rolling average of the medical care component of the consumer price index (CPI), respectively. However, the FY 2014 Enacted Budget, FY 2015 Enacted Budget, and FY 2016 Enacted Budget authorized spending for School Aid to increase above the growth in personal income that would otherwise be used to calculate the school year increases.

State law grants the Governor certain powers to achieve the Medicaid savings assumed in the Financial Plan. However, there can be no assurance that these powers will be sufficient to limit the rate of annual growth in DOH State Funds Medicaid spending to the levels estimated in the Financial Plan. In addition, savings are dependent upon timely Federal approvals, revenue performance in the State's HCRA fund (which finances approximately one-third of the DOH State-share costs of Medicaid), and the participation of health care industry stakeholders.

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

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to address response to, and recovery from, severe weather events and other disasters. Pressure on the Federal government to make reductions is elevated so long as the budgetary caps resulting from the Budget Control Act of 2011 and subsequent legislation 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.

MRT Medicaid Waiver

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

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

Federal Reimbursement for State Developmental Disability Services

As part of an approved plan between New York State and the Federal CMS, the State received a $250 million Designated State Health Program (DSHP) payment as part of a multi-year effort to transform OPWDD services and provide more individuals with developmental disabilities the opportunity to be served in community-integrated settings. The $250 million payment was received in FY 2015.

The Financial Plan assumes the State will reach agreement with CMS on a second phase of OPWDD transformation, which would accomplish a transition to holistic care management and value-based payments across all developmental disability systems. The transition to an integrated model of developmental disabilities-related care, behavioral health care, and medical care is expected to require significant changes to operations, structure, and organizational culture. The Financial Plan reflects the continuation of the $250 million DSHP payment in FY 2016 and FY 2017 to help effectuate this transformation. Such Federal funding has not yet been approved by CMS.

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. In March 2015, a temporary suspension of the Federal debt limit expired, causing the debt limit to be reached. The Treasury Department has avoided default since then by operating under "extraordinary measures," which again raises concern that the Federal debt ceiling may not be raised in a timely manner.

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 Federal government payment default in the future are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

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

Current Labor Negotiations (Current Contract Period)

The State has settled collective bargaining agreements with 97 percent of the State workforce subject to direct Executive control for the contract period that commenced in FY 2012. A seven-year agreement through FY 2018 was recently achieved with the Commissioned and Noncommissioned Officers unit in the Division of State Police. Five-year agreements through FY 2016 were reached with CSEA, the United University Professions (UUP), the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA), Council 82, DC-37 (Housing), and the Graduate Student Employees Union. Four-year agreements through FY 2015 were reached with the Public Employees Federation (PEF) and the Police Benevolent Association of New York State (PBANYS).

All of the agreements included wage and benefit concessions in exchange for contingent employee job protection. As such, the agreements have provided: two-year Deficit Reduction Plan (DRP) savings of $300 million; no general salary increases for the three-year period FY 2012 through FY 2014; a 2 percent general salary increase in FY 2015; and a 2 percent general salary increase in FY 2016 for the employees with five-year agreements. Commissioned and Noncommissioned Officers in the Division of State Police will receive general salary increases of 1.5 percent in FY 2017 and FY 2018, respectively. Additionally, the agreements provided full-annual health benefit savings of $230 million resulting from increases to employee/retiree premium shares, copays, out-of-network deductibles and coinsurance.

Other compensation has also been provided. Two lump sum payments — $775 per employee in FY 2014 and $225 per employee in FY 2015 — were paid to employees represented by CSEA, PBANYS, NYSCOPBA and Council 82. Additionally, UUP employees may receive lump sum payments of similar value in the form of Chancellor's Power of SUNY Awards and Presidential Discretionary Awards. However, employees represented by PEF and DC-37 (Housing) will not receive lump sum payments. Instead, they will be repaid for all DRP reductions over an extended period at the end of the contract term, whereas the others will be repaid for a portion of their reductions. Commissioned and Noncommissioned Officers in the Division of State Police will receive $1,250 increases to Hazardous Duty and Expanded Duty payments, respectively.

The unions representing State Police Troopers and Investigators have no contracts in place for the period April 2011 forward.

Current Cash Flow Projections

The State authorizes the General Fund to borrow resources temporarily from available funds in the Short-Term Investment Pool (STIP) for up to four months, or to the end of the fiscal year, whichever period is shorter. The State last used this authorization in April 2011 when the General Fund needed to temporarily borrow a minimal amount of 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 to make all planned payments as they become due through FY 2016, as reflected in the following table that includes month-end cash balance projections. 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 2016
(millions of dollars)

	General Fund	Other Funds	All Funds
April	10,377	2,234	12,611
May	8,547	3,778	12,325
June	9,180	3,563	12,743
July	7,462	4,582	12,044
August	7,215	4,512	11,727
September	9,407	2,615	12,022
October	7,811	3,192	11,003
November	5,115	3,252	8,367
December	7,254	2,232	9,486
January	8,501	4,196	12,697
February	8,486	4,191	12,677
March	3,495	5,684	9,179

Pension Amortization

Background

Under legislation enacted in August 2010, the State and local governments may amortize (defer paying) a portion of their annual pension costs beginning in FY 2011. Amortization temporarily reduces the pension costs that must be paid by public employers in a given fiscal year, but results in higher costs overall when repaid with interest.

In FY 2015, the State made a total pension payment to the New York State and Local Retirement System (NYSLRS) of $1.7 billion and amortized $620 million (the maximum amount legally allowable). The total payment included an additional $18.8 million to pay off the 2006 amortization cost. In addition, the State's Office of Court Administration (OCA) made a total pension payment of $280 million and amortized $94 million (the maximum amount legally allowable). This included an additional $21 million to pay off the 2011 pension amortization liability. The total deferred amount — $713 million — will be repaid with interest over the next ten years, beginning in FY 2016.

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.

For amounts amortized in FY 2011 through FY 2015, the State Comptroller set interest rates of 5 percent, 3.75 percent, 3 percent, 3.67 percent, and 3.15 percent, respectively. The Financial Plan assumes that both the State and OCA will also elect to amortize pension costs in FY 2016 and beyond, consistent with the provisions of the authorizing legislation, and repay such amounts at an interest cost assumed by DOB in the Financial Plan to be 3.15 percent per annum over ten years from the date of each deferred payment.

Rate Comparison -- Average Normal Rate & Amortization Rate

The 2010 legislation enacted a formula to set an amortization threshold for each year. The amortization rate (the "graded rate") may increase or decrease in the direction of the actuarial contribution rate (the "normal rate") by up to one percentage point annually. Pension contribution costs in excess of the graded rate may be amortized. Amortization is permitted in all years if the normal rate is greater than the graded rate. However, when the graded rate equals or exceeds the normal rate, amortization is not allowed.

The normal contribution rates and the amortization rates are displayed in the following table:

ERS AND PFRS PENSION CONTRIBUTION RATES - ANNUAL PERCENTAGE CHANGE				
Fiscal Year (FY)	ERS Average Normal Rate[1]	ERS Amortization Rate	PFRS Average Normal Rate[1]	PFRS Amortization Rate
FY 2011	11.5	9.5	18.1	17.5
FY 2012	15.9	10.5	21.6	18.5
FY 2013	18.5	11.5	25.7	19.5
FY 2014	20.5	12.5	28.9	20.5
FY 2015	19.7	13.5	27.5	21.5
FY 2016	17.7	14.5	24.7	22.5

[1]Group Life Insurance Plan excluded from the Average Normal Rates.

Outyear Projections

All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially. Additionally, the next five-year experience study performed by the Retirement Systems' Actuary is expected in 2015 and could change these projections materially.

The 2016 pension contribution rates, including Group Life Insurance Plan (GLIP), released by OSC on September 2, 2014, reflect an annual decline from 20.1 percent to 18.2 percent for ERS, and from 27.6 percent to 24.7 percent for PFRS. However, the rates were higher than anticipated by DOB (14.2 percent for ERS and 20.8 percent for PFRS), which had based its projections on the prior year actuarial assumptions of the Retirement Systems' Actuary. The higher-than-anticipated FY 2016 contribution rates are primarily attributable to the use of the Mortality Improvement Scale (MP-2014) actuarial assumptions, which, compared to prior year actuarial assumptions, reflect longer life expectancies for pensioners and beneficiaries and result in increased pension plan liabilities.

The Financial Plan incorporates MP-2014 actuarial assumptions and assumes amortization in FY 2016 and the outyears, as depicted in the following table. DOB currently plans to amortize future pension contribution costs above the graded rate based on current forecasted pension contribution rates, as permissible by statute. The actual amortization of future pension costs will be subject to revised pension contribution rates and/or other budgetary decisions and factors.

STATE PENSION COSTS AND AMORTIZATION SAVINGS (millions of dollars)									
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
AMORTIZATION THRESHOLDS (Graded Rate)									
ERS (%)	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5
PFRS (%)	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5
STATEWIDE PENSION PAYMENTS	**1,470**	**1,697**	**1,601**	**2,086**	**2,130**	**2,219**	**2,467**	**2,660**	**2,890**
Gross Pension Costs	1,633	2,141	2,192	2,744	2,429	2,226	2,334	2,404	2,519
(Amortization Amount) / Excess Contributions	(250)	(563)	(779)	(937)	(713)	(395)	(299)	(212)	(122)
Repayment of Amortization (incl. FY 2005 and FY 2006)	87	119	188	279	414	388	432	468	493

The next table reflects projected pension contributions and amortizations for the Executive Branch and Judiciary employees participating in the New York State ERS and PFRS through 2029. The “Normal Costs” column shows the amount of the State’s pension cost prior to amortization, as authorized by Part TT of Chapter 57 of the Laws of 2010. The "(Amortized) / Excess Contributions" column shows new amounts deferred offset, in some cases by payments made ahead of schedule. The “Amortization Payments” column provides the amount paid in a given fiscal year (principal and interest on deferrals) pursuant to Part TT of Chapter 57 of the Laws of 2010. The “Total” column provides the State’s pension contribution, net of amortization.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM[1]
PENSION CONTRIBUTIONS AND OUTYEAR PROJECTIONS
(millions of dollars)

Fiscal Year	Normal Costs[2]	(Amortized)/Excess Contributions	Amortization Payments	Total
Results:				
2011	1,552.8	(249.6)	0.0	1,303.2
2012	2,041.7	(562.9)	32.3	1,511.1
2013	2,085.3	(778.5)	100.9	1,407.7
2014	2,633.7	(937.0)	192.1	1,888.8
2015	2,317.0	(713.1)	326.6	1,930.5
Projections:				
2016	2,011.4	(395.1)	385.9	2,002.2
2017	2,112.5	(299.0)	432.3	2,245.8
2018	2,184.0	(212.4)	467.6	2,439.2
2019	2,298.3	(122.1)	492.7	2,668.9
2020	2,390.9	(33.0)	511.5	2,869.4
2021	2,462.3	0.0	515.4	2,977.7
2022	2,349.1	61.1	483.1	2,893.3
2023	2,349.2	0.0	351.6	2,700.8
2024	2,350.7	0.0	323.3	2,674.0
2025	2,350.4	0.0	209.6	2,560.0
2026	2,348.0	0.0	125.4	2,473.4
2027	2,343.3	0.0	78.7	2,422.0
2028	2,335.9	0.0	43.2	2,379.1
2029	2,329.7	0.0	18.2	2,347.9

[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.

Consistent with the aforementioned amortization assumptions, Part TT of Chapter 57 of the Laws of 2010 requires that: (a) the State make additional contributions in upcoming fiscal years, above the actuarially required contribution (starting in FY 2022) and (b) once all outstanding amortizations are paid off, additional contributions be set aside as reserves for rate increases, to be invested by the State Comptroller and used to offset future rate increases.

Other Post-Employment Benefits (OPEB)

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

In accordance with the Governmental Accounting Standards Board (GASB) Statement 45, the State must perform an actuarial valuation every two years for purposes of calculating OPEB liabilities. As disclosed in Note 13 of the State's Basic Financial Statements for FY 2014, the State's Annual Required Contribution (ARC) represents the projected annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2014, the projected unfunded actuarial accrued liability for FY 2014 is $68.2 billion ($54.3 billion for the State and $13.9 billion for SUNY), an increase of $1.7 billion from FY 2013 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2014 used an actuarial valuation of OPEB liabilities as of April 1, 2012. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method.

The actuarially determined annual OPEB cost for FY 2014 totaled $3 billion ($2.3 billion for the State and $0.7 billion for SUNY), a decline of $390 million from FY 2013 ($322 million for the State and $68 million for SUNY). The actuarially determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was $1.5 billion ($1 billion for the State and $0.5 billion for SUNY) greater than the cash payments for retiree costs made by the State in FY 2014. This difference between the State's PAYGO costs, and the actuarially determined required annual contribution under GASB Statement 45, reduced the State's net asset condition at the end of FY 2014 by $1.5 billion.

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

There is no provision in the Financial Plan to fund the actuarially determined required annual contribution 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), Civil Service and DOB, will continue to review

this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices. Beginning with FY 2016, the State expects to incorporate MP-2014 actuarial mortality assumptions, which reflect longer life expectancies for beneficiaries, resulting in increases to actuarial accrued liabilities and the present value of projected benefits.

The State is currently examining GASB-proposed changes to GASB Statement 45 requirements. The proposed changes will alter the actuarial methods used to calculate OPEB liabilities, standardize asset smoothing and discount rates, and require the funded status of the OPEB liabilities to be reported by the State. As proposed, the GASB changes would be implemented in the State's FY 2018 financial statements.

Monetary Settlements

The State periodically receives proceeds from monetary settlements that are deposited primarily to the General Fund. The Financial Plan assumes monetary settlement payments in the upcoming fiscal years ($100 million each for FY 2017 and FY 2018). There can be no assurance that settlement proceeds in upcoming fiscal years will be received by the State at the levels assumed in the Financial Plan.

Litigation

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

Update on Storm Recovery

In recent years, New York State has sustained damage from three powerful storms that crippled entire regions. In August 2011, Hurricane Irene disrupted power and caused extensive flooding to various New York State counties. In September 2011, Tropical Storm Lee caused flooding in additional New York State counties and, in some cases, exacerbated the damage caused by Hurricane Irene two weeks earlier. On October 29, 2012, Superstorm Sandy struck the East Coast, causing widespread infrastructure damage and economic losses to the greater New York region. The frequency and intensity of these storms 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 over the coming years for response, recovery, and mitigation costs. There can be no assurance that all anticipated Federal disaster aid described above will be provided to the State and its affected entities, or that such Federal disaster aid will be provided on the expected schedule.

Climate Change Adaptation

Climate change 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 Board, please visit www.frb.ny.gov.

Bond Market

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

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. It was determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2014). The FY 2015 calculation is expected to be completed in October 2015.

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 $4.1 billion in FY 2015 to $498 million in FY 2019. This includes the estimated impact of the bond-financed portion of the Enacted Budget's 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 2015	1,110,345	4.00%	44,414	40,364	4,050	3.64%	0.36%	11,502	51,867
FY 2016	1,156,105	4.00%	46,244	43,369	2,875	3.75%	0.25%	10,075	53,444
FY 2017	1,214,876	4.00%	48,595	47,052	1,543	3.87%	0.13%	8,705	55,757
FY 2018	1,278,706	4.00%	51,148	50,292	856	3.93%	0.07%	7,288	57,581
FY 2019	1,345,074	4.00%	53,803	53,305	498	3.96%	0.04%	6,139	59,444
FY 2020	1,413,141	4.00%	56,526	56,001	525	3.96%	0.04%	5,004	61,005

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 2015	149,109	5.00%	7,455	3,994	3,461	2.68%	2.32%	2,164	6,159
FY 2016	151,367	5.00%	7,568	4,141	3,427	2.74%	2.26%	956	5,097
FY 2017	153,728	5.00%	7,686	4,515	3,171	2.94%	2.06%	1,667	6,182
FY 2018	157,545	5.00%	7,877	4,967	2,910	3.15%	1.85%	1,718	6,685
FY 2019	160,109	5.00%	8,005	5,416	2,589	3.38%	1.62%	1,573	6,989
FY 2020	164,793	5.00%	8,240	5,852	2,387	3.55%	1.45%	1,449	7,301

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for the cost of upgrading their primary health care facilities. In the event of 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, 2015, there were approximately $304 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 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 when $24 million was paid. DASNY also estimates the State will pay debt service costs of approximately $25 million in both FY 2016 and FY 2017, and approximately $14 million annually in FY 2018 through FY 2020. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital that currently is not meeting the terms of its loan agreement with DASNY, a second hospital whose debt service obligation was recently discharged in bankruptcy 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 the hospitals failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

SUNY Downstate Hospital and 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.

To address the deteriorating financial condition of Downstate Hospital, which has been caused in part by the deteriorating financial position of LICH, legislation adopted with the FY 2014 Enacted Budget required the Chancellor of SUNY to submit to the Governor and the Legislature a multi-year sustainability plan for the Downstate Hospital. Specifically, the legislation required the sustainability plan to: a) set forth recommendations necessary to achieve financial stability for Downstate Hospital, and b) preserve the academic mission of Downstate Hospital's medical school. In accordance with this legislation, the Chancellor of SUNY submitted the sustainability plan for Downstate Hospital on May 31, 2013, and supplemented the plan with changes in a letter

dated June 13, 2013. The supplemented plan was approved by both the Commissioner of Health and the Director of the Budget on June 13, 2013. Generally, the approved sustainability plan anticipates: (a) a significant restructuring of health care service lines at Downstate Hospital in order to achieve financial milestones assumed in the sustainability plan, and supported by State financial assistance through DOH; and (b) monetizing the LICH asset value to support the costs associated with Downstate Hospital exiting LICH operations. Consistent with the sustainability plan, as supplemented, SUNY, together with Holdings, issued a request for proposals (RFP) to provide healthcare services in or around the LICH facilities and to purchase the LICH real estate.

In 2013, State Supreme Court Judge Demarest, who issued the May 2011 Order, issued, sua sponte, certain additional orders that could have affected the validity of the May 2011 Order. Also, in 2013, State Supreme Court Judge Baynes issued a series of orders that, effectively, precluded SUNY from exiting LICH operations. On February 25, 2014, Judges Demarest and Baynes approved a settlement whereby all parties agreed to discharge their claims, and the judges vacated their orders. Pursuant to a court-approved settlement in 2014, SUNY, together with Holdings, issued a new 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 the FPG Cobble Hill Acquisitions, LLC, an affiliate of Fortis Property Group, LLC (also party to the agreement) which proposes to purchase the LICH property, and with NYU Hospitals Center which will provide both interim and long-term health care services. The agreement has been approved by the Office of Attorney General and the State Comptroller. The sale of all or substantially all, of the assets of Holdings is subject to additional approvals. There can be no assurance that the resolution of legal, financial, and regulatory issues surrounding LICH, including the payment of outstanding liabilities, will not have a materially adverse impact on SUNY.

2015 Legislative Session

The State's 2015 legislative session is expected to end on June 17, 2015. Impacts to the Financial Plan from end-of-session legislative activity are not expected to result in material and adverse differences to the estimates for the current fiscal year contained in this AIS. DOB expects to update its multi-year projections of receipts and disbursements with the first quarterly update to the AIS to reflect the fiscal impact, if any, of all legislation enacted in the remainder of the session.

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State Financial Plan Projections Fiscal Years 2016 Through 2019

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Introduction

This section presents the State's updated multi-year Financial Plan projections for receipts and disbursements, reflecting the impact of the FY 2016 Enacted Budget actions. The section includes preliminary FY 2015 results and projections for FY 2016 through FY 2019, with an emphasis on the FY 2016 projections.

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

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

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

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates and projections as a predictor of the State's future financial position is likely to diminish the further removed such estimates and projections are from the date of this AIS. Accordingly, in terms of the outyear projections, the first outyear of the FY 2016 Enacted Budget, FY 2017, is the most relevant from a planning perspective.

Summary

The FY 2016 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. In addition, the State ended FY 2015 with a sizeable General Fund cash-basis surplus largely due to a series of unbudgeted one-time monetary settlement payments reached between regulators and financial institutions.

The surplus projections for FY 2017 and thereafter set forth in the Financial Plan reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2 percent Spending Benchmark." While surplus projections reflect the savings estimated from adherence to the 2 percent spending benchmark, disbursement totals in Financial Plan tables and discussion do not assume these savings. If the State does not adhere to the 2 percent State Operating Funds spending benchmark in FY 2017, FY 2018, and FY 2019, budget gaps may result in these years.

The following tables present the 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 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes (After Debt Service)	58,644	62,622	65,394	68,671	70,229
Miscellaneous Receipts/Federal Grants	8,412	4,365	2,591	2,353	2,212
Other Transfers	865	1,298	740	739	724
Total Receipts	**67,921**	**68,285**	**68,725**	**71,763**	**73,165**
DISBURSEMENTS					
Local Assistance Grants	41,592	44,356	46,783	49,160	51,653
School Aid	18,415	20,072	21,414	22,379	23,664
Medicaid/BHP	11,676	12,229	12,893	13,621	14,362
All Other	11,501	12,055	12,476	13,160	13,627
State Operations	7,664	8,263	8,311	8,564	8,406
Personal Service	5,806	6,079	6,049	6,076	6,104
Non-Personal Service	1,858	2,184	2,262	2,488	2,302
General State Charges	4,999	5,195	5,710	6,032	6,349
Transfers to Other Funds	8,601	14,276	9,945	10,644	10,962
Debt Service	1,297	886	1,242	1,422	1,210
Capital Projects	1,264	5,947	1,844	2,072	2,295
State Share of Mental Hygiene Medicaid	1,419	2,162	1,439	1,313	1,255
SUNY Operations	980	998	978	969	969
All Other	3,641	4,283	4,442	4,868	5,233
Total Disbursements	**62,856**	**72,090**	**70,749**	**74,400**	**77,370**
Adherence to 2% Spending Benchmark [1]	**n/a**	**n/a**	**2,333**	**4,349**	**5,821**
Use (Reservation) of Fund Balance:	**(5,065)**	**3,805**	**(30)**	**(10)**	**(10)**
Tax Stabilization Reserve Fund	(127)	0	0	0	0
Rainy Day Reserve Fund	(190)	0	0	0	0
Community Projects Fund	13	0	0	0	0
Prior-Term Labor Agreements	38	(10)	(30)	(10)	(10)
J.P. Morgan Settlement Proceeds	58	0	0	0	0
Undesignated Fund Balance	(190)	190	0	0	0
Monetary Settlements[2]	(4,667)	3,625	0	0	0
BUDGET SURPLUS/(GAP) PROJECTIONS	**0**	**0**	**279**	**1,702**	**1,606**

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

[2] FY 2016 reflects the transfer of $4.55 billion from the General Fund to the Dedicated Infrastructure Investment Fund.

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
RECEIPTS					
Taxes	69,661	73,213	76,757	80,457	82,690
Miscellaneous Receipts/Federal Grants	25,376	20,088	18,716	18,694	18,667
Total Receipts	**95,037**	**93,301**	**95,473**	**99,151**	**101,357**
DISBURSEMENTS					
Local Assistance Grants	61,052	63,305	65,759	68,503	71,212
School Aid	21,630	23,378	24,591	25,686	26,966
STAR	3,297	3,382	3,468	3,510	3,552
Special/Other Education	2,081	2,200	2,292	2,422	2,564
Higher Education	3,092	2,991	3,037	3,097	3,157
Medicaid (DOH)	16,790	17,414	18,161	18,936	19,675
Public Health/Aging	1,841	1,792	1,753	1,787	1,816
Mental Hygiene	2,923	2,718	2,860	3,305	3,497
Social Services	2,837	2,976	3,006	3,065	3,095
Transportation	4,834	4,862	4,916	4,987	5,051
Local Government Assistance	765	784	790	794	794
All Other	962	808	885	914	1,045
State Operations	18,157	18,488	18,604	18,916	18,910
Personal Service	12,550	12,868	12,834	12,897	12,999
Non-Personal Service	5,607	5,620	5,770	6,019	5,911
General State Charges	7,033	7,334	7,894	8,286	8,711
Pension Contribution	2,130	2,219	2,467	2,660	2,890
Health Insurance (Active Employees)	2,091	2,174	2,318	2,444	2,582
Health Insurance (Retired Employees)	1,228	1,277	1,362	1,436	1,516
All Other	1,584	1,664	1,747	1,746	1,723
Debt Service	6,183	5,122	6,208	6,699	7,004
Capital Projects	1	1	3	3	3
Total Disbursements	**92,426**	**94,250**	**98,468**	**102,407**	**105,840**
Net Other Financing Sources/(Uses)	2,028	(3,159)	892	630	344
Adherence to 2% Spending Benchmark [1]	**n/a**	**n/a**	**2,333**	**4,349**	**5,821**
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(4,639)	4,108	49	(21)	(76)
General Fund	(5,065)	3,805	(30)	(10)	(10)
Special Revenue Funds	479	386	154	81	7
Debt Service Funds	(53)	(83)	(75)	(92)	(73)
GENERAL FUND BUDGET SURPLUS/(GAP)	**0**	**0**	**279**	**1,702**	**1,606**

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

Receipts

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 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 2016 are projected to total $151.4 billion, an increase of 1.5 percent from FY 2015 results. The table below summarizes the multi-year receipts projections.

ALL FUNDS RECEIPTS
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
Personal Income Tax	43,709	47,075	7.7%	50,115	6.5%	53,047	5.9%	54,426	2.6%
Consumption/Use Taxes	15,384	15,850	3.0%	16,394	3.4%	16,916	3.2%	17,487	3.4%
Business Taxes	8,504	8,137	-4.3%	8,047	-1.1%	8,261	2.7%	8,464	2.5%
Other Taxes	2,166	2,154	-0.6%	2,122	-1.5%	2,086	-1.7%	2,095	0.4%
Payroll Tax	1,271	1,346	5.9%	1,404	4.3%	1,473	4.9%	1,549	5.2%
Total State Taxes	**71,034**	**74,562**	**5.0%**	**78,082**	**4.7%**	**81,783**	**4.7%**	**84,021**	**2.7%**
Miscellaneous Receipts	29,438	25,410	-13.7%	24,094	-5.2%	23,751	-1.4%	23,887	0.6%
Federal Receipts	48,636	51,396	5.7%	51,553	0.3%	52,012	0.9%	52,202	0.4%
Total All Fund Receipts	**149,108**	**151,368**	**1.5%**	**153,729**	**1.6%**	**157,546**	**2.5%**	**160,110**	**1.6%**

State tax receipts are expected to increase 5 percent in FY 2016. The increase in PIT receipts is due to strong growth from an artificially low prior year base influenced by 2013 Federal tax law changes. The miscellaneous receipts decline in FY 2016 is primarily due to the substantial lowering of one-time monetary settlement payments with financial institutions. In addition, the FY 2016 General Fund total includes a $250 million deposit from the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget, which is a decrease of $750 million from the amount of the reserve released in FY 2015. In other State funds, FY 2016 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, licensing fees associated with commercial gaming, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period, the personal income and consumption/use tax categories are expected to grow. Business taxes and other taxes are expected to decline in some or all years due to tax cuts and reforms enacted in 2014.

After controlling for the impact of tax law changes, base tax revenue increased 4 percent in FY 2015, and is projected to increase by 4.5 percent for FY 2016 and 4.9 percent for FY 2017.

GENERAL FUND RECEIPTS
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	FY 2017 Proposed	FY 2018 Projected	FY 2019 Projected
Total All Funds State Taxes[1]	69,763	73,216	76,678	80,310	82,472
Less Dedicated Taxes:					
STAR	(3,297)	(3,382)	(3,468)	(3,510)	(3,552)
Revenue Bond Tax Fund	(10,927)	(11,769)	(12,529)	(13,262)	(13,607)
LGAC/Sales Tax Bond Fund	(6,053)	(6,325)	(6,582)	(6,841)	(7,120)
Cigarette/Tobacco Tax	(958)	(911)	(873)	(843)	(814)
Sales Tax	(854)	(882)	(903)	(936)	(972)
Consumption/Use Taxes	(828)	(842)	(840)	(845)	(856)
Business Taxes	(2,239)	(2,240)	(2,255)	(2,302)	(2,355)
Real Estate Transfer Tax	(1,038)	(1,085)	(1,138)	(1,176)	(1,221)
Total General Fund Taxes	**43,569**	**45,780**	**48,090**	**50,595**	**51,975**
Miscellaneous Receipts	8,410	4,365	2,591	2,353	2,212
Federal Receipts	2	0	0	0	0
Total General Fund Receipts	**51,981**	**50,145**	**50,681**	**52,948**	**54,187**
Annual $ Change		(1,836)	536	2,267	1,239
Annual % Change		-3.5	1.1	4.5	2.3

[1] Excludes the MTA payroll tax, which is collected by the State and passed through to the MTA.

Approximately 60 percent of All Funds tax receipts are deposited into the General Fund. The remaining tax collections are dedicated for various purposes including STAR payments to school districts, debt service reserves, health care, and transportation. General Fund tax receipts are projected to total $45.8 billion in FY 2016, an increase consistent with the All Funds trends discussed above. General Fund miscellaneous receipts are expected to decrease by over $4 billion as a result of the lower amount of the monetary settlement receipts and transfers noted above.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**43,709**	**47,075**	**7.7%**	**50,115**	**6.5%**	**53,047**	**5.9%**	**54,426**	**2.6%**
Gross Collections	52,248	56,512	8.2%	60,063	6.3%	63,041	5.0%	64,460	2.3%
Refunds (Incl. State/City Offset)	(8,539)	(9,437)	-10.5%	(9,948)	-5.4%	(9,994)	-0.5%	(10,034)	-0.4%
GENERAL FUND[1]	**29,485**	**31,924**	**8.3%**	**34,118**	**6.9%**	**36,275**	**6.3%**	**37,267**	**2.7%**
Gross Collections	52,248	56,512	8.2%	60,063	6.3%	63,041	5.0%	64,460	2.3%
Refunds (Incl. State/City Offset)	(8,539)	(9,437)	-10.5%	(9,948)	-5.4%	(9,994)	-0.5%	(10,034)	-0.4%
STAR	(3,297)	(3,382)	-2.6%	(3,468)	-2.5%	(3,510)	-1.2%	(3,552)	-1.2%
RBTF	(10,927)	(11,769)	-7.7%	(12,529)	-6.5%	(13,262)	-5.9%	(13,607)	-2.6%

[1]Excludes Transfers.

All Funds income tax receipts for FY 2016 are projected to be $47.1 billion, an increase of $3.4 billion (7.7 percent) from FY 2015 results. This increase primarily includes withholding, estimated payments attributable to the 2015 tax year, and extension payments attributable to the 2014 tax year, partially offset by a substantial increase in total refunds due to a combination of refund payment timing and the increased cost of the Real Property Tax Freeze credit compared to FY 2015.

The following table summarizes, by component, actual receipts for FY 2015 and forecast amounts through FY 2019.

PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS ALL FUNDS (millions of dollars)	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Receipts					
Withholding	34,907	36,940	38,971	40,400	42,198
Estimated Payments	13,743	15,746	17,039	18,378	17,796
Current Year	10,367	11,148	12,019	12,983	12,005
Prior Year[1]	3,376	4,598	5,020	5,395	5,791
Final Returns	2,206	2,493	2,670	2,841	2,984
Current Year	1,952	2,224	2,390	2,549	2,692
Prior Year[1]	254	269	280	292	292
Delinquent	1,392	1,333	1,383	1,422	1,482
Gross Receipts	52,248	56,512	60,063	63,041	64,460
Refunds					
Prior Year[1]	4,961	5,828	6,755	7,117	7,132
Previous Years	458	488	513	539	564
Current Year[1]	1,950	1,750	1,750	1,750	1,750
Advanced Credit Payment	579	783	342	0	0
State/City Offset[1]	591	588	588	588	588
Total Refunds	8,539	9,437	9,948	9,994	10,034
Net Receipts	**43,709**	**47,075**	**50,115**	**53,047**	**54,426**

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

Withholding in FY 2016 is projected to be $2 billion (5.8 percent) higher than FY 2015, due mainly to moderate wage growth. Extension payments are estimated to increase by $1.2 billion (36.2 percent), primarily due to growth in tax year 2014 nonwage income over a weak tax year 2013 base, which suffered from an acceleration of capital gains into tax year 2012. Estimated payments for tax year 2015 are projected to be $781 million (7.5 percent) higher. Final return payments and delinquencies are projected to be $287 million (13 percent) higher and $59 million (4.2 percent) lower, respectively.

The increase in total refunds of $898 million (10.5 percent) reflects an $867 million (17.5 percent) increase in prior (tax year 2014) refunds, a $30 million (6.6 percent) increase in previous (tax year 2013 and earlier) refunds, and a $204 million (35.2 percent) increase in accelerated credit payments related to tax year 2015. This is partially offset by a $200 million (10.3 percent) decrease in current (tax year 2015) refunds and a $3 million (0.5 percent) decline in state-city offsets. The increase in prior (tax year 2014) refunds includes $85 million in payments attributable to the first year of the Enhanced Real Property Tax Circuit Breaker credit. Refund payment timing accounts for another $128 million of the growth in prior year refunds, resulting from the reduced amount of refunds paid during the first three months of 2015 relative to the same period 2014.

General Fund personal income tax receipts are net of deposits to the STAR Fund, which provides property tax relief, and the Revenue Bond Tax Fund (RBTF), which supports debt service payments on State PIT revenue bonds. General Fund personal income tax receipts for FY 2016 of $31.9 billion are expected to increase by $2.4 billion (8.3 percent) from FY 2015 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 $3.4 billion.

All Funds personal income tax receipts for FY 2017 of $50.1 billion are projected to increase by just over $3 billion (6.5 percent) from the FY 2016 estimate. This primarily reflects increases of $2 billion (5.5 percent) in withholding, $871 million (7.8 percent) in estimated payments related to tax year 2016, and $422 million (9.2 percent) in extension payments related to tax year 2015, partially offset by a $511 million (5.4 percent) increase in total refunds. The growth in withholding is the result of projected wage growth of 4.7 percent. The moderate growth in extension payments reflects tax year 2015 nonwage income growth that is projected to be substantially weaker than tax year 2014. The growth in total refunds is primarily attributable to $400 million in Family Tax Relief credits which, unlike tax year 2013 payments, will not be paid as accelerated credits. Payments from final returns are expected to increase $177 million (7.1 percent), while delinquencies are projected to increase $50 million (3.8 percent) from the prior year.

General Fund personal income tax receipts for FY 2017 of $34.1 billion are projected to increase by $2.2 billion (6.9 percent). RBTF deposits are projected to be $12.5 billion, and the STAR transfer is projected to be $3.5 billion.

All Funds personal income tax receipts of $53 billion in FY 2018 are projected to increase $2.9 billion (5.9 percent) from the prior year. Gross receipts are projected to increase 5 percent, reflecting withholding that is projected to grow by $1.4 billion (3.7 percent) and estimated

payments related to tax year 2017 that are projected to grow by $964 million (8 percent). Payments from extensions for tax year 2016 are projected to increase by $375 million (7.5 percent) and final returns are expected to increase $171 million (6.4 percent). Delinquencies are projected to increase $39 million (2.8 percent) from the prior year. Total refunds are projected to increase by $46 million (0.5 percent) from the prior year.

General Fund personal income tax receipts for FY 2018 are projected to increase by $2.2 billion (6.3 percent) to $36.3 billion

All Funds personal income tax receipts are projected to increase by $1.4 billion (2.6 percent) in FY 2019 to reach $54.4 billion, while General Fund personal income tax receipts are projected to total $37.3 billion.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**15,384**	**15,850**	**3.0%**	**16,394**	**3.4%**	**16,916**	**3.2%**	**17,487**	**3.4%**
Sales Tax	12,991	13,532	4.2%	14,067	4.0%	14,618	3.9%	15,212	4.1%
Cigarette and Tobacco Taxes	1,314	1,220	-7.2%	1,226	0.5%	1,187	-3.2%	1,148	-3.3%
Motor Fuel Tax	487	485	-0.4%	485	0.0%	482	-0.6%	478	-0.8%
Highway Use Tax	140	148	5.7%	142	-4.1%	143	0.7%	152	6.3%
Alcoholic Beverage Taxes	251	256	2.0%	261	2.0%	266	1.9%	271	1.9%
Taxicab Surcharge	82	85	3.7%	85	0.0%	85	0.0%	85	0.0%
Auto Rental Tax	119	124	4.2%	128	3.2%	135	5.5%	141	4.4%
GENERAL FUND[1]	**6,691**	**6,890**	**3.0%**	**7,196**	**4.4%**	**7,451**	**3.5%**	**7,725**	**3.7%**
Sales Tax	6,084	6,325	4.0%	6,582	4.1%	6,841	3.9%	7,120	4.1%
Cigarette and Tobacco Taxes	356	309	-13.2%	353	14.2%	344	-2.5%	334	-2.9%
Alcoholic Beverage Taxes	251	256	2.0%	261	2.0%	266	1.9%	271	1.9%

[1]Excludes Transfers.

All Funds consumption/use tax receipts for FY 2016 are estimated to be $15.9 billion, an increase of $466 million (3 percent) from FY 2015 results. Sales tax receipts are estimated to increase $541 million (4.2 percent) from FY 2015, resulting from 4.4 percent base (i.e., absent law changes) growth, due to strong projected disposable income growth. Cigarette and tobacco tax collections are estimated to decline $94 million (7.2 percent), primarily reflecting large declines in taxable cigarette consumption (particularly in New York City) and cigar tax refunds resulting in part from a nonbinding Administrative Law Judge Determination (Matter of Davidoff of Geneva, Inc.). Motor fuel tax collections are expected to decrease $2 million (0.4 percent), reflecting a decrease in audit collections as they return to historical levels, partially offset by slight growth in gasoline and diesel consumption.

General Fund consumption/use tax receipts for FY 2016 are estimated to total $6.9 billion, an increase of $199 million (3 percent) from FY 2015 results. This increase largely reflects increased sales tax collections, offset by cigar tax refunds and a decline in cigarette tax collections.

All Funds consumption/use tax receipts for FY 2017 are projected to be $16.4 billion, an increase of $544 million (3.4 percent) from the prior year. The projected $535 million (4 percent) increase in sales tax receipts reflects sales tax base growth of 4.2 percent.

General Fund consumption/use tax receipts are projected to total $7.2 billion in FY 2017, a $306 million (4.4 percent) increase from the prior year. The projected increase in sales tax receipts reflects the All Funds trends noted above. The projected increase in cigarette and tobacco tax receipts is the result of an artificially low FY 2016 base created by the cigar tax refunds mentioned earlier.

All Funds consumption/use tax receipts are projected to increase to $16.9 billion (3.2 percent) in FY 2018 and to $17.5 billion (3.4 percent) in FY 2019, 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 increase to $7.5 billion (3.5 percent) in FY 2018 and $7.7 billion (3.7 percent) in FY 2019, reflecting the All Funds trends noted above.

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.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**8,504**	**8,137**	**-4.3%**	**8,047**	**-1.1%**	**8,261**	**2.7%**	**8,464**	**2.5%**
Corporate Franchise Tax	3,548	4,673	31.7%	4,419	-5.4%	4,591	3.9%	4,756	3.6%
Corporation and Utilities Tax	728	794	9.1%	811	2.1%	815	0.5%	835	2.5%
Insurance Tax	1,533	1,585	3.4%	1,559	-1.6%	1,614	3.5%	1,687	4.5%
Bank Tax	1,536	(10)	-100.7%	203	2130.0%	190	-6.4%	143	-24.7%
Petroleum Business Tax	1,159	1,095	-5.5%	1,055	-3.7%	1,051	-0.4%	1,043	-0.8%
GENERAL FUND	**6,265**	**5,897**	**-5.9%**	**5,792**	**-1.8%**	**5,959**	**2.9%**	**6,109**	**2.5%**
Corporate Franchise Tax	2,990	3,909	30.7%	3,617	-7.5%	3,747	3.6%	3,862	3.1%
Corporation and Utilities Tax	577	612	6.1%	619	1.1%	619	0.0%	630	1.8%
Insurance Tax	1,375	1,414	2.8%	1,383	-2.2%	1,431	3.5%	1,495	4.5%
Bank Tax	1,323	(38)	-102.9%	173	555.3%	162	-6.4%	122	-24.7%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2016 are estimated at $8.1 billion, a decrease of $367 million (4.3 percent) from FY 2015 results. The estimate primarily reflects a decline resulting from the first year of corporate tax reform ($205 million) and a decrease in petroleum business tax (PBT) receipts, due to declines in the PBT index rates for 2015 and 2016.

Corporate franchise tax receipts are estimated to increase $1.1 billion (31.7 percent) in FY 2016, reflecting corporate tax reform, which repealed the bank tax and imposed the corporate franchise tax on former bank taxpayers beginning in tax year 2015. Audit receipts are expected to increase $491 million (79.8 percent), representing a rebound in large case audits.

Corporation and utilities tax receipts are expected to increase $66 million (9.1 percent) in FY 2016. Both gross receipts and audits are expected to increase from the prior year, while refunds are expected to return to historical trends.

Insurance tax receipts are expected to increase $52 million (3.4 percent) in FY 2016. Premiums from authorized insurers are expected to grow at trend rates. Audits and refunds are also expected to reflect historical trends.

Bank tax receipts are estimated to decrease by over $1.5 billion (100.7 percent) in FY 2016, reflecting the movement of 2015 liability payments to the corporate franchise tax. Negative FY 2016 bank tax receipts reflect the net of payments from fiscal year filers with a liability period start date of 2014, prior period adjustments from calendar year and fiscal year filers, and audit receipts. Audit receipts are estimated to decline $525 million as several large FY 2015 bank tax cases are not expected to be repeated in FY 2016.

PBT receipts are expected to decrease $64 million (5.5 percent) in FY 2016, primarily due to the 3.2 percent decrease in the PBT rate index effective January 2015 and the estimated 5 percent decrease effective January 2016. These declines are partially offset by slight growth in both estimated gasoline and diesel consumption.

General Fund business tax receipts for FY 2016 of $5.9 billion are estimated to decrease $368 million (5.9 percent) from FY 2015 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2017 of $8 billion are projected to decrease $90 million (1.1 percent) from the prior year. The decline in corporate franchise tax receipts of $254 million (5.4 percent) is the result of the decrease in the entire net income tax rate from 7.1 percent to 6.5 percent and the first year of the capital tax base phase-out (both effective for tax year 2016). These items were part of corporate tax reform enacted in the FY 2015 Budget Bank tax receipts are projected to increase by $213 million, primarily resulting from a reduced number of prior period adjustments and continued audit receipts. Corporation and utilities tax receipts growth of $17 million (2.1 percent) reflects trend growth in FY 2017. Insurance tax receipts are projected to decline $26 million (1.6 percent). Growth in insurance tax premiums is more than offset by the first year of refunds for the tax credit for assessments paid to the Life Insurance Guaranty Corporation (Insurance Law section 7712(a)(b) and tax law section 1511(f)). PBT receipts are expected to decrease $40 million (3.7 percent) in FY 2017, primarily due to the estimated 5 percent decrease in the PBT rate index effective January 2016 noted above, and projected small declines in taxable motor fuel consumption, partially offset by growth in diesel fuel consumption.

General Fund business tax receipts for FY 2017 of $5.8 billion are projected to decrease $105 million (1.8 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2018 and FY 2019 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 $8.3 billion (2.7 percent) in FY 2018, and increase to $8.5 billion (2.5 percent) in FY 2019. General Fund business tax receipts are expected to increase to $6 billion (2.9 percent) in FY 2018 and $6.1 billion (2.5 percent) in FY 2019.

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE/ALL FUNDS	**2,166**	**2,154**	**-0.6%**	**2,122**	**-1.5%**	**2,086**	**-1.7%**	**2,095**	**0.4%**
Estate Tax	1,109	1,050	-5.3%	965	-8.1%	891	-7.7%	855	-4.0%
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	1,038	1,085	4.5%	1,138	4.9%	1,176	3.3%	1,221	3.8%
Pari-Mutuel Taxes	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
GENERAL FUND[1]	**1,128**	**1,069**	**-5.2%**	**984**	**-8.0%**	**910**	**-7.5%**	**874**	**-4.0%**
Estate Tax	1,109	1,050	-5.3%	965	-8.1%	891	-7.7%	855	-4.0%
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	18	18	0.0%	18	0.0%	18	0.0%	18	0.0%
All Other Taxes	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%

[1]Excludes Transfers.

All Funds other tax receipts for FY 2016 are estimated to be nearly $2.2 billion, a $12 million (0.6 percent) decrease from FY 2015 results. This reflects a $47 million (4.5 percent) increase in real estate transfer tax receipts, more than offset by a $59 million (5.3 percent) decrease in estate tax receipts. The estate tax decrease is primarily the result of FY 2015 Enacted Budget legislation that raises the filing threshold from $1 million to $5.25 million over a four-year period. The real estate transfer tax estimate reflects both an increase in the volume of transactions in New York City and modest price growth compared to the prior year.

General Fund other tax receipts are expected to be nearly $1.1 billion in FY 2016, a $59 million (5.2 percent) decrease from FY 2015 results, reflecting the estate tax change noted above.

All Funds other tax receipts for FY 2017 are projected to be just over $2.1 billion, a $32 million (1.5 percent) decrease from FY 2016. This reflects projected growth in real estate transfer tax receipts due to projected growth in both the residential and commercial real estate markets, particularly in New York City, more than entirely offset by a decline in projected estate tax receipts due to the continued phase-in of the increased filing threshold.

General Fund other tax receipts are projected to be just under $1 billion in FY 2017, reflecting the decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2018 and FY 2019 reflect projected trends in household net worth, housing starts and housing prices. All Funds other tax receipts are projected to decrease to just under $2.1 billion (1.7 percent) in FY 2018, and remain at $2.1 billion in FY 2019. General Fund other tax receipt estimates for FY 2018 and FY 2019 are projected to decrease by 7.5 percent and 4 percent, respectively, due to the projected decline in estate tax receipts noted above.

The divergence in growth rates between the All Funds and General Fund projections for other tax receipts reflects the dedication of the segment exhibiting growth (real estate transfer tax receipts) to other funds, and reflection of the declining portion (estate tax receipts) remaining in the General Fund.

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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
ALL FUNDS	**29,438**	**25,410**	**-13.7%**	**24,094**	**-5.2%**	**23,751**	**-1.4%**	**23,887**	**0.6%**
General Fund	8,410	4,365	-48.1%	2,591	-40.6%	2,353	-9.2%	2,212	-6.0%
Special Revenue Funds	16,557	15,276	-7.7%	15,709	2.8%	15,925	1.4%	16,040	0.7%
Capital Projects Funds	3,961	5,299	33.8%	5,341	0.8%	5,020	-6.0%	5,183	3.2%
Debt Service Funds	510	470	-7.8%	453	-3.6%	453	0.0%	452	-0.2%

All Funds miscellaneous receipts are projected to total $25.4 billion in FY 2016, a decrease of 13.7 percent from FY 2015 results. This decrease is primarily due to the loss of one-time monetary settlement payments described earlier in this AIS. In addition to the loss of monetary settlements, the SIF reserve release in connection with Workers' Compensation law changes included in the FY 2014 Enacted Budget decreased by $750 million from the amount received during the prior year. In other State funds, FY 2015 miscellaneous receipts are driven by year-to-year variations to health care surcharges and other HCRA resources, bond proceeds, atypical fines and the phase-out of the temporary utility assessment.

All Funds miscellaneous receipts are projected to decrease annually beginning in FY 2016, mainly due to the loss of payments from SIF, and the phase-out of the temporary utility assessment.

FEDERAL GRANTS (millions of dollars)									
	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
ALL FUNDS	**48,636**	**51,396**	**5.7%**	**51,553**	**0.3%**	**52,012**	**0.9%**	**52,202**	**0.4%**
General Fund	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	46,531	49,627	6.7%	49,850	0.4%	50,322	0.9%	50,531	0.4%
Capital Projects Funds	2,030	1,696	-16.5%	1,630	-3.9%	1,617	-0.8%	1,598	-1.2%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are expected to increase in FY 2016, which is mainly driven by enhanced Federal Medicaid funding associated with the ACA. Federal grants are expected to grow to $52.2 billion by FY 2019, reflecting the continuation of growth in Federal Medicaid spending associated with the ACA, partly offset by the expected phase-down of Federal disaster assistance aid.

Disbursements

Total disbursements in FY 2016 are estimated at $72 billion in the State's General Fund (including transfers) and $94.3 billion in total State Operating Funds. Medicaid, education, pension costs, employee and retiree health benefits are significant drivers of annual spending growth. Over the multi-year Financial Plan, State Operating Funds spending projections assume Medicaid and School Aid will grow at their statutorily-indexed rates, with the exception of FY 2016 where the Enacted Budget increased School Aid by 6.1 percent on a school year basis, in excess of the indexed rate of 1.7 percent. The Enacted Budgets in FY 2014 and FY 2015 also approved increases for School Aid above the indexed rate.

The multi-year disbursements projections take into account various factors, including agency staffing levels, program caseloads, inflation, and funding formulas contained in State and Federal law. Factors that affect spending estimates vary by program. For example, public assistance spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends and projected economic conditions. Projections 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.

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 $63.3 billion in FY 2016 and accounts for two-thirds of total State Operating Funds spending. Education and health care spending account for nearly two-thirds of local assistance spending.

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

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

			Forecast		
	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
MEDICAID					
Individuals Covered	6,170,304	6,356,115	6,401,031	6,423,489	6,434,718
- Child Health Plus (Caseload)	278,168	295,400	304,200	313,300	322,700
State Takeover of County/NYC Costs	$1,701	$2,031	$2,360	$2,680	$2,989
- Family Health Plus	$147	$0	$0	$0	$0
- Medicaid	$1,554	$2,031	$2,360	$2,680	$2,989
EDUCATION					
SY School Aid (Funding)	$22,150	$23,502	$24,439	$25,559	$26,909
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	569,200	569,300	569,400	569,400	569,400
Tuition Assistance Program (Recipients)	302,398	302,669	302,669	302,669	302,669
PUBLIC ASSISTANCE					
Family Assistance Program (Caseload)	247,629	237,675	230,690	225,303	220,501
Safety Net Program (Families)	114,643	109,098	105,340	102,501	99,995
Safety Net Program (Singles)	195,108	193,661	192,374	191,526	191,116
Total Mental Hygiene Community Beds	96,414	99,283	102,834	104,991	106,616
- OMH Community Beds	40,766	42,989	46,141	47,883	49,157
- OPWDD Community Beds	41,966	42,532	42,890	43,199	43,530
- OASAS Community Beds	13,682	13,762	13,803	13,909	13,929
PRISON POPULATION (CORRECTIONS)	52,854	52,800	52,800	52,800	52,800

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to total $23.5 billion in school year (SY) 2016, an increase of $1.4 billion (6.1 percent) from SY 2015. This increase is provided largely through $1 billion of additional general operating support, consisting of a $603 million restoration in the Gap Elimination Adjustment (GEA) and a $428 million increase in Foundation Aid. Another $274 million supports increased reimbursement in expense-based aid programs (e.g., transportation, Boards of Cooperative Educational Services (BOCES), school construction) and other miscellaneous aid categories. The increase also includes $47 million of funding for new competitive grants, led by $30 million for prekindergarten for three- and four-year-old children.

In addition, the Enacted Budget Financial Plan provides $75 million to help transform persistently failing schools. The Budget also continues to provide $340 million of recurring annual funding to support Statewide Universal Full-Day Prekindergarten programs in order to incentivize and fund state-of-the-art programs and encourage creativity through competition.

Finally, the Enacted Budget maintains the two-year appropriation that continues Education Law provisions. School Aid is projected to increase by an additional $937 million (4 percent) in SY 2017.

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

	SY 2015	SY 2016	Change	SY 2017	Change	SY 2018	Change	SY 2019	Change
Total	**22,150**	**23,502**	**1,352**	**24,439**	**937**	**25,559**	**1,120**	**26,909**	**1,350**
			6.1%		4.0%		4.6%		5.3%

School year values reflected in table do not include aid for Statewide Universal Full-Day Prekindergarten programs or the Persistently Failing Schools Transformation Grants.

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 funding levels on a State fiscal year basis.

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

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**21,630**	**23,378**	**8.1%**	**24,591**	**5.2%**	**25,686**	**4.5%**	**26,966**	**5.0%**
General Fund Local Assistance	18,290	20,072	9.7%	21,414	6.7%	22,378	4.5%	23,664	5.7%
General Fund Local Aid Guarantee	72	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Core Lottery Aid	2,265	2,219	-2.0%	2,181	-1.7%	2,173	-0.4%	2,167	-0.3%
VLT Lottery Aid	951	950	-0.1%	976	2.7%	902	-7.6%	902	0.0%
Commercial Gaming - VLT Offset	0	0	0.0%	0	0.0%	53	0.0%	53	0.0%
Commercial Gaming	0	137	0.0%	20	-85.4%	180	800.0%	180	0.0%
Prior Year Resources	52	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

State fiscal year spending for School Aid is projected to total $23.4 billion in FY 2016. 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 over $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 2016. Three casino resorts were recommended by the State's Gaming Facility Location Board (the "Board") in December 2014, and a fourth casino is presently under consideration by the Board. It was previously anticipated that the State's receipt of $160 million in one-time casino licensing fees would be used to supplement School Aid in FY 2016, and casinos would be fully operational by FY 2017. Due to differences in timing and applicants chosen by the Board, the State now expects $137 million from one-time licensing fees to supplement School Aid in FY 2016, and it is expected that the approved casinos will be fully operational by 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.

The State provides a full range of special education services to 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 lunch and breakfast program, 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 postsecondary 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.

OTHER EDUCATION
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,081**	**2,200**	**5.7%**	**2,292**	**4.2%**	**2,422**	**5.7%**	**2,564**	**5.9%**
Special Education	1,451	1,470	1.3%	1,559	6.1%	1,673	7.3%	1,795	7.3%
All Other Education	630	730	15.9%	733	0.4%	749	2.2%	769	2.7%

The increase in other education spending for FY 2016 relative to FY 2015 is driven primarily by increases in expense-based reimbursements, one-time costs associated with targeted aid and grants, and increases to supplemental State charter school payments. Outyear growth is primarily driven by supplemental State charter school payments.

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first $30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens will receive a $65,300 exemption in FY 2016. 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 2016 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 $83,300 (28 percent); and a flat refundable credit and rate reduction for income-eligible resident New York City personal income taxpayers (18 percent).

Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues. The annual increase in a qualifying homeowner's STAR exemption benefit is currently limited to 2 percent. New York City personal income taxpayers with annual incomes over $500,000 are not eligible starting in FY 2016.

SCHOOL TAX RELIEF (STAR)
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,297**	**3,382**	**2.6%**	**3,468**	**2.5%**	**3,510**	**1.2%**	**3,552**	**1.2%**
Basic Exemption	1,739	1,816	4.4%	1,889	4.0%	1,900	0.6%	1,908	0.4%
Enhanced (Seniors)	931	948	1.8%	967	2.0%	991	2.5%	1,013	2.2%
New York City PIT	627	618	-1.4%	612	-1.0%	619	1.1%	631	1.9%

The spending growth is primarily a reflection of the number of STAR exemption recipients who are expected to participate in the program, including reregistration of qualified individuals. This growth is partially offset by an enacted restriction in the New York City PIT rate reduction to residents with incomes lower than $500,000.

Higher Education

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

The State funds CUNY's senior college operations, and works in conjunction with New York City to support CUNY's community colleges. The CUNY system is the largest urban public university system in the nation. Funding for SUNY supports 30 community colleges across multiple campuses. The State also provides a sizeable benefit to CUNY and SUNY through the debt service it pays on bond-financed capital projects at the universities. State debt service payments for capital projects at SUNY and CUNY are expected to total about $1.2 billion in FY 2016 (this is not reflected in the annual spending totals for the universities). HESC administers TAP, which provides financial awards to income-eligible students. It also provides centralized processing for other student financial aid programs, and offers prospective students information and guidance on how to finance a college education. The financial aid programs that HESC administers are funded by the State and the Federal government.

HIGHER EDUCATION
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**3,092**	**2,991**	**-3.3%**	**3,037**	**1.5%**	**3,097**	**2.0%**	**3,157**	**1.9%**
City University	**1,395**	**1,426**	**2.2%**	**1,424**	**-0.1%**	**1,453**	**2.0%**	**1,497**	**3.0%**
Senior Colleges	1,172	1,194	1.9%	1,194	0.0%	1,223	2.4%	1,267	3.6%
Community College	223	232	4.0%	230	-0.9%	230	0.0%	230	0.0%
Higher Education Services	**1,210**	**1,062**	**-12.2%**	**1,111**	**4.6%**	**1,142**	**2.8%**	**1,159**	**1.5%**
Tuition Assistance Program	1,159	990	-14.6%	1,003	1.3%	1,006	0.3%	1,006	0.0%
Scholarships/Awards	39	60	53.8%	96	60.0%	124	29.2%	141	13.7%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	**487**	**503**	**3.3%**	**502**	**-0.2%**	**502**	**0.0%**	**501**	**-0.2%**
Community College	483	498	3.1%	497	-0.2%	497	0.0%	496	-0.2%
Other/Cornell	4	5	25.0%	5	0.0%	5	0.0%	5	0.0%

Annual growth by CUNY across the multi-year Financial Plan reflects the net impact of one-time performance incentive funding in FY 2016, additional base operating support at community colleges, and fringe benefit cost increases at senior colleges. HESC spending is projected to decline slightly from FY 2015 to FY 2016, reflecting an accelerated payment of TAP costs in FY 2015. Growth in the outyears is primarily driven by a combination of newly enacted initiatives such as the Get On Your Feet loan forgiveness program, ongoing implementation of a scholarship for Science, Technology, Engineering and Math (STEM) included in the FY 2015 Enacted Budget, and additional TAP costs associated with projected community college tuition increases. Growth in SUNY local assistance primarily reflects additional base operating support at community colleges.

Health Care

Local assistance for health care-related spending includes Medicaid, statewide public health programs and a variety of mental hygiene programs. The State DOH works with local health departments and social services departments, including 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 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 Financial Plan reflects the impact of the DSRIP program through additional Federal funds disbursements of approximately $7 billion through FY 2019, with the remaining funds expected to be disbursed beyond the current planning period. A portion of this funding, which has yet to be allocated through the statewide awarding process, is expected to flow through the SUNY hospital system.

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[3] 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. The Financial Plan reflects the continuation of the Medicaid spending cap through FY 2017, and the project assumes that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.6 percent for FY 2016. Reflecting projected CPI reductions, DOB currently forecasts allowable cap growth at 3.4 percent in FY 2017; 3.2 percent in FY 2018; and 3 percent in FY 2019. Certain administrative costs and changes in the Federal or local shares are not subject to this index.

[3] The FY 2014 Enacted Budget eliminated the Family Health Plus (FHP) program effective January 1, 2015. The majority of the population previously receiving health care benefits through FHP have begun receiving more robust health care benefits through the Medicaid program, resulting from new Medicaid eligibility thresholds and increased Federal payments resulting from the ACA. The remainder of the previous FHP population, those above Medicaid levels, are eligible for Federal tax credits in the NYSOH insurance benefit exchange and a majority will become eligible for the BHP.

MEDICAID GLOBAL CAP FORECAST (millions of dollars)	FY 2015[2]	FY 2016	FY 2017	FY 2018	FY 2019
Global Medicaid Cap [1]	**16,507**	**17,104**	**17,692**	**18,259**	**18,812**
Annual % Change		3.6%	3.4%	3.2%	3.0%

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

[2] FY 2015 is a projection, and is not based on actuals.

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, as well as increased Federal financial participation that became effective in January 2014 under the provisions of the ACA. State share Medicaid spending also appears in the 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 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Department of Health Medicaid	16,953	17,570	17,868	18,612	19,330
Local Assistance	16,790	17,280	17,560	18,316	19,036
State Operations[2]	163	290	308	296	294
Other State Agency Medicaid Spending	5,048	4,974	4,856	5,289	5,535
Mental Hygiene	4,919	4,837	4,718	5,149	5,396
Foster Care	86	87	88	90	89
Education	43	50	50	50	50
Total State Share Medicaid (All Agencies)	**22,001**	**22,544**	**22,724**	**23,901**	**24,865**
Annual $ Change		543	180	1,177	964
Annual % Change		2.5%	0.8%	5.2%	4.0%
Basic Health Plan[3]	**0**	**170**	**643**	**649**	**666**

[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] Beginning in FY 2014 the Office of Health Insurance Programs was transferred to Medicaid from Public Health as part of the five-year phase-in initiative of the State to assume local administrative functions.

[3] The BHP is not a Medicaid program; however, State-funded resources for the BHP 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 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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
STATE OPERATING FUNDS	**16,953**	**17,740**	**4.6%**	**18,511**	**4.3%**	**19,261**	**4.1%**	**19,996**	**3.8%**
General Fund - DOH Medicaid Local	11,676	12,095	3.6%	12,292	1.6%	13,001	5.8%	13,723	5.6%
DOH Medicaid	10,961	11,246	2.6%	11,249	0.0%	12,163	8.1%	12,883	5.9%
Mental Hygiene Stabilization Fund[3]	715	849	18.7%	1,043	22.9%	838	-19.7%	840	0.2%
General Fund - DOH Medicaid State Ops[4]	163	290	77.9%	308	6.2%	296	-3.9%	294	-0.7%
General Fund - Basic Health Plan	0	170	0.0%	643	278.2%	649	0.9%	666	2.6%
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Other State Funds - DOH Medicaid Local	5,114	5,185	1.4%	5,268	1.6%	5,315	0.9%	5,313	0.0%
HCRA Financing	3,518	3,601	2.4%	3,684	2.3%	3,731	1.3%	3,729	-0.1%
Indigent Care Support	804	792	-1.5%	792	0.0%	792	0.0%	792	0.0%
Provider Assessment/Other Revenue	792	792	0.0%	792	0.0%	792	0.0%	792	0.0%

[1] The BHP is not a Medicaid program; however, State funded resources for BHP 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.

Since FY 2014, certain OPWDD-related Medicaid costs have been financed within available resources under the Global Cap to alleviate the financial impact of reduced Federal revenue associated with the reimbursement of Medicaid costs at State-operated facilities providing developmental disability services. The Enacted Budget includes $200 million in Financial Plan savings, a portion of which are associated with additional OPWDD-related Medicaid costs which will be funded under the cap. These additional costs will be funded primarily from additional State-funded Medicaid savings which are expected to accrue to the Global Cap in FY 2016 as a result of accelerating the enrollment of certain legally residing immigrants who currently receive State-only Medicaid funding to the Basic Health Plan (BHP). The cost of insurance premiums for such individuals, and other individuals meeting certain income eligibility standards, will be supplemented by both State and Federal funds. These BHP resources will also be used by DOH over the Financial Plan period to support the Federal MRT wavier and to implement investments and initiatives consistent with MRT principles for improving the State's effectiveness and efficiency of health care service delivery.

Fluctuation in enrollment, the 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 in the State is expected to exceed 6.1 million by the end of FY 2015; this represents an 8.9 percent increase from FY 2014 caseload of 5.7 million. This expected growth is mainly attributable to expanded eligibility and enrollment pursuant to the ACA, which became effective in January 2014 and therefore is largely federally funded.

Basic Health Plan

The BHP is a health insurance program which receives Federal subsidies authorized through the ACA. The FY 2015 Enacted Budget authorized the State's option to participate in the BHP. The Enacted Budget assumes the State will accelerate the phase-in of certain legally residing immigrants currently receiving State-only Medicaid coverage. Individuals who meet the eligibility standards of the BHP will be enrolled through the New York State of Health (NYSOH) insurance exchange, with the cost of insurance premiums subsidized by the State and Federal governments. When fully implemented, approximately 75 percent of program expenditures are expected to be paid by the Federal government. The State funding for BHP in the Enacted Budget is offset by State funds Medicaid program savings associated with BHP, and additional Federal funds are recognized through the duration of the planning period.

BASIC HEALTH PLAN
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL ALL FUNDS SPENDING	**0**	**1,679**	**0.0%**	**2,660**	**58.4%**	**2,730**	**2.6%**	**2,810**	**2.9%**
State Operating Funds	**0**	**170**	**0.0%**	**643**	**278.2%**	**649**	**0.9%**	**666**	**2.6%**
Local Assistance	0	134	0.0%	601	348.5%	620	3.2%	639	3.1%
State Operations	0	36	0.0%	42	16.7%	29	-31.0%	27	-6.9%
Federal Operating Funds	**0**	**1,509**	**0.0%**	**2,017**	**33.7%**	**2,081**	**3.2%**	**2,144**	**3.0%**

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,841**	**1,792**	**-2.7%**	**1,753**	**-2.2%**	**1,787**	**1.9%**	**1,816**	**1.6%**
Public Health	**1,719**	**1,661**	**-3.4%**	**1,622**	**-2.3%**	**1,651**	**1.8%**	**1,674**	**1.4%**
Child Health Plus	408	356	-12.7%	295	-17.1%	310	5.1%	326	5.2%
General Public Health Works	192	184	-4.2%	192	4.3%	194	1.0%	196	1.0%
EPIC	123	126	2.4%	132	4.8%	133	0.8%	128	-3.8%
Early Intervention	165	159	-3.6%	159	0.0%	159	0.0%	159	0.0%
HCRA Program	441	435	-1.4%	433	-0.5%	433	0.0%	433	0.0%
All Other	390	401	2.8%	411	2.5%	422	2.7%	432	2.4%
Aging	**122**	**131**	**7.4%**	**131**	**0.0%**	**136**	**3.8%**	**142**	**4.4%**

Forecasted CHP spending has been revised downward in all years to reflect the actual spending and enrollment trends to date. State funds spending for CHP is projected to decline on an annual basis from FY 2015 levels, as a result of increased Federal funding associated with the ACA.

FY 2016 GPHW spending reflects a downward trend in reimbursement claims submitted by local governments. Annual program spending is projected to remain at moderate levels throughout the Financial Plan period.

EPIC program spending has been revised upward to reflect increased pharmaceutical costs which impact Medicare Part D premium payment estimates.

Reductions in EI from FY 2015 are based on claiming projections.

HCRA program spending from FY 2016 to FY 2019 is expected to remain relatively constant.

HCRA Financial Plan

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

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

HCRA FINANCIAL PLAN FY 2015 THROUGH FY 2019
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
OPENING BALANCE	**9**	**14**	**0**	**0**	**0**
TOTAL RECEIPTS	**5,457**	**5,505**	**5,528**	**5,551**	**5,582**
Surcharges	2,949	3,006	3,054	3,159	3,222
Covered Lives Assessment	1,075	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	958	911	873	843	814
Hospital Assessments	384	391	408	424	424
NYC Cigarette Tax Transfer/Other	91	87	83	80	77
TOTAL DISBURSEMENTS	**5,452**	**5,519**	**5,528**	**5,551**	**5,582**
Medicaid Assistance Account	3,518	3,601	3,684	3,731	3,730
Medicaid Costs	*3,010*	*3,404*	*3,487*	*3,534*	*3,533*
Family Health Plus	*311*	*0*	*0*	*0*	*0*
Workforce Recruitment & Retention	*197*	*197*	*197*	*197*	*197*
Hospital Indigent Care	804	792	792	792	792
HCRA Program Account	452	448	446	446	446
Child Health Plus	411	361	300	315	332
Elderly Pharmaceutical Insurance Coverage	134	138	144	145	140
SHIN-NY/APCD	31	55	40	0	0
All Other	102	124	122	122	142
ANNUAL OPERATING SURPLUS/(DEFICIT)	**5**	**(14)**	**0**	**0**	**0**
CLOSING BALANCE	**14**	**0**	**0**	**0**	**0**

HCRA surcharge and hospital assessment revenue in the Financial Plan is forecast to align anticipated revenue collections with recent patterns which reflect the impact of MRT initiatives to improve the cost efficiency of health care service delivery settings. The level of growth forecasted in surcharge and hospital assessments is primarily attributable to expanded health insurance coverage through the ACA, and an expectation for a higher volume of health care services being provided throughout the State. The health care industry assessment revenue growth is partly offset by projected declines in cigarette tax collections due to declining tobacco consumption, resulting in projected total HCRA receipts growth of nearly 1 percent on an average annual basis through FY 2019.

HCRA spending is expected to increase by $67 million in FY 2016 to total $5.5 billion. The most significant areas of growth include additional financing of the State share of Medicaid costs, and increased capital costs associated with the Statewide Health Information Network for New York (SHIN-NY), which is expected to improve information capabilities and increase efficiency associated with health insurance claiming. HCRA spending growth in FY 2016 is partially offset by a lower spending forecast for CHP, driven by moderating enrollment and increased Federal funding under the ACA.

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

Mental Hygiene

The Department of Mental Hygiene is comprised of 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 patients 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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**2,923**	**2,718**	**-7.0%**	**2,860**	**5.2%**	**3,305**	**15.6%**	**3,497**	**5.8%**
People with Developmental Disabilities	**1,462**	**1,212**	**-17.1%**	**1,274**	**5.1%**	**1,590**	**24.8%**	**1,712**	**7.7%**
OPWDD Funding[1]	**2,177**	**2,350**	**7.9%**	**2,317**	**-1.4%**	**2,428**	**4.8%**	**2,552**	**5.1%**
Residential Services	1,454	1,571	8.0%	1,549	-1.4%	1,623	4.8%	1,707	5.2%
Day Programs	633	684	8.1%	675	-1.3%	707	4.7%	743	5.1%
Clinic	21	23	9.5%	22	-4.3%	23	4.5%	24	4.3%
All Other Local/Resources	69	72	4.3%	71	-1.4%	75	5.6%	78	4.0%
Other Funding Resources	**(715)**	**(1,138)**	**-59.2%**	**(1,043)**	**8.3%**	**(838)**	**19.7%**	**(840)**	**-0.2%**
Mental Hygiene Stabilization Fund	(715)	(849)	-18.7%	(1,043)	-22.9%	(838)	19.7%	(840)	-0.2%
Federal BIP Resources (Federal Funds)	0	(289)	0.0%	0	100.0%	0	0.0%	0	0.0%
Mental Health	**1,157**	**1,184**	**2.3%**	**1,250**	**5.6%**	**1,366**	**9.3%**	**1,424**	**4.2%**
OMH Funding[1]	1,157	1,218	5.3%	1,250	2.6%	1,366	9.3%	1,424	4.2%
Adult Local Services	938	987	5.2%	1,013	2.6%	1,107	9.3%	1,154	4.2%
Children Local Services	219	231	5.5%	237	2.6%	259	9.3%	270	4.2%
Other Funding Resources	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Federal BIP Resources (Federal Funds)	0	(34)	0.0%	0	100.0%	0	0.0%	0	0.0%
Alcohol and Substance Abuse	**303**	**321**	**5.9%**	**335**	**4.4%**	**348**	**3.9%**	**360**	**3.4%**
Outpatient/Methadone	121	129	6.6%	134	3.9%	139	3.7%	144	3.6%
Residential	118	124	5.1%	131	5.6%	136	3.8%	141	3.7%
Prevention and Program Support	52	55	5.8%	57	3.6%	59	3.5%	61	3.4%
Crisis	12	13	8.3%	13	0.0%	14	7.7%	14	0.0%
Justice Center	**1**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**	**1**	**0.0%**

[1] Program funding detail for OPWDD and OMH includes new multi-year spending investments which will be financed with additional Federal resources through BIP.

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 4.6 percent annually. The main factor driving this level of growth is enhancement of community mental health services, right-sizing and improving State-operated inpatient services, utilizing less costly and more programmatically appropriate in-state community residential programs enhancing employment opportunities for individuals with disabilities, and maximizing payments from third-party payers.

The Financial Plan includes additional annual statewide Medicaid savings of $200 million, a portion of which will be achieved through the continued shift of certain OPWDD-related Medicaid costs to the DOH, whereby the costs will be funded within the existing Medicaid Global Cap at no increased cost to the Financial Plan, and without impact to overall service delivery. In FY 2015, the Medicaid budget supported $715 million of OPWDD's Medicaid-eligible expenses, which will increase to $850 million in FY 2016. To accommodate the funding of these additional costs within the Global Cap, DOH will leverage available BHP resources.

In addition, OPWDD and OMH will utilize $323 million in Federal BIP resources in FY 2016 to support new multi-year spending investments. Authorized under the ACA, BIP is an optional program that provides additional Federal funding to qualifying states. 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 developmental disabilities and mental illness, and enhance community integration. The $323 million in FY 2016 BIP investments is intended to transform services and supports to more integrated, community-based opportunities; increase employment opportunities for individuals with developmental disabilities; implement electronic health record systems; and support the transition to managed care.

The Enacted Budget includes a partnership between OMH and DOCCS that will revise the process for identifying, assessing, treating, discharging, and supervising mentally ill patients who pose a potential risk of violence in State facilities and the community. The proposal will expand community services, provide additional treatment services in prisons, and create additional capacity for civil confinements in OMH facilities. This proposal will result in new intensive treatment beds and transitional beds, expand in-prison and community treatment services, supportive housing, and ACT. The Enacted Budget will add $8 million in local assistance support in FY 2016, and $18 million each year from FY 2017 to FY 2019, as well as approximately $12 million annually in additional OMH State operations costs for this initiative.

In July 2014, CMS issued the State a disallowance notification in the amount of $1.26 billion. On March 20, 2015, the State and CMS entered into a settlement agreement that resolves the $1.26 billion pending disallowance for FY 2011 and all related payment disputes for State-operated services, including home and community-based waiver services, prior to April 1, 2013, and various other related CMS audit findings for OPWDD-delivered services for this time period. As part of this agreement, the State will provide an $850 million payment to the Federal government in April 2015, and annual payments of $100 million for each of the next 11 years beginning in FY 2017. Such payments are reflected in the Financial Plan. (See "Other Matters Affecting the Financial Plan - Federal Issues" herein.)

Social Services

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

TEMPORARY AND DISABILITY ASSISTANCE
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,236**	**1,218**	**-1.5%**	**1,236**	**1.5%**	**1,247**	**0.9%**	**1,262**	**1.2%**
SSI	683	660	-3.4%	670	1.5%	679	1.3%	679	0.0%
Public Assistance Benefits	435	437	0.5%	437	0.0%	437	0.0%	437	0.0%
Public Assistance Initiatives	21	30	42.9%	27	-10.0%	27	0.0%	36	33.3%
All Other	97	91	-6.2%	102	12.1%	104	2.0%	110	5.8%

Spending in SSI is projected to increase gradually over the course of the Financial Plan due to updated caseload projections. In public assistance, DOB projects a total of 540,434 recipients in FY 2016. Approximately 237,675 families are expected to receive benefits through the Family Assistance program in FY 2016, a decrease of 4 percent from FY 2015. In the Safety Net program an average of 109,098 families are expected to be helped in FY 2016, a decrease of 4.8 percent from FY 2015. The caseload for single adults/childless couples supported through the Safety Net program is projected at 193,661 in FY 2016, a decrease of 0.7 percent from FY 2015.

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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**1,601**	**1,758**	**9.8%**	**1,770**	**0.7%**	**1,818**	**2.7%**	**1,833**	**0.8%**
Child Welfare Service	351	454	29.3%	463	2.0%	472	1.9%	482	2.1%
Foster Care Block Grant	439	445	1.4%	453	1.8%	462	2.0%	471	1.9%
Adoption	155	152	-1.9%	152	0.0%	152	0.0%	152	0.0%
Day Care	308	287	-6.8%	287	0.0%	287	0.0%	279	-2.8%
Youth Programs	104	167	60.6%	156	-6.6%	155	-0.6%	155	0.0%
Medicaid	86	87	1.2%	88	1.1%	90	2.3%	89	-1.1%
Committees on Special Education	42	39	-7.1%	42	7.7%	44	4.8%	46	4.5%
Adult Protective/Domestic Violence	30	38	26.7%	40	5.3%	41	2.5%	42	2.4%
All Other	86	89	3.5%	89	0.0%	115	29.2%	117	1.7%

OCFS spending in FY 2016 is projected to increase over FY 2015 levels, mainly due to Child Welfare Services spending changes resulting from both a projected increase in claims, and cash management actions which had previously reduced FY 2015 spending.

Transportation

In FY 2016, the State will provide $4.9 billion to support the operating costs of the statewide mass transit systems financed from dedicated taxes and fees. The MTA, due to the size and scope of its transit and commuter rail systems, receives the majority of the statewide mass transit operating aid. In addition, the MTA receives operating support from the Mobility Tax and MTA Aid Trust Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA to support the transit and commuter rail systems. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund now provides additional annual support, subject to appropriation, to the MTA to make up for the resulting loss of revenue.

TRANSPORTATION
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**4,834**	**4,862**	**0.6%**	**4,916**	**1.1%**	**4,987**	**1.4%**	**5,051**	**1.3%**
Mass Transit Operating Aid:	2,161	2,160	0.0%	2,160	0.0%	2,160	0.0%	2,160	0.0%
Metro Mass Transit Aid	2,015	2,030	0.7%	2,030	0.0%	2,030	0.0%	2,030	0.0%
Public Transit Aid	94	86	-8.5%	86	0.0%	86	0.0%	86	0.0%
18-b General Fund Aid	27	19	-29.6%	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	1,945	1,976	1.6%	2,054	3.9%	2,126	3.5%	2,193	3.2%
Dedicated Mass Transit	682	656	-3.8%	648	-1.2%	647	-0.2%	644	-0.5%
AMTAP	45	68	51.1%	53	-22.1%	53	0.0%	53	0.0%
All Other	1	2	100.0%	1	-50.0%	1	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 increase in Additional Mass Transportation Assistance Program (AMTAP) funding in FY 2016 reflects the legislative additions to the program.

Not reflected in the above table is authorization included in the FY 2016 Enacted Budget to transfer annually $121 million in additional dedicated transit revenues from the Metropolitan Mass Transportation Operating Assistance Account (MMTOA) to the newly established Metropolitan Transit Assistance for Capital Investment Fund (MTACIF), which will be used to support infrastructure needs of the MTA and other downstate transit systems. In addition, the Financial Plan assumes that $20 million in MMTOA resources will be available annually to offset MTA-related debt service costs from FY 2016 to FY 2019.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL AIM STATE OPERATING FUNDS	**726**	**741**	**2.1%**	**759**	**2.4%**	**763**	**0.5%**	**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	11	26	136.4%	44	69.2%	48	9.1%	48	0.0%

Spending for AIM efficiency incentive grants increases over the multi-year period, reflecting potential awards from the Financial Restructuring Board for Local Governments. All Other aid under AIM is expected to be maintained in each year of the Financial Plan.

Agency Operations

Agency operating costs include personal service, non-personal service, and GSCs. Personal service costs include the salaries of State employees of the Executive, Legislative, and Judicial branches, as well as the salaries of temporary/seasonal employees. Non-personal service costs reflect the cost of operating State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, IT, and professional business services), supplies and materials, equipment, and telephone service. GSCs reflect the cost of fringe benefits (i.e., pensions, health insurance) provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State, such as taxes on public lands and litigations. Certain agency operations of Transportation and Motor Vehicles are included in the capital projects fund type and are not reflected in the State Operating Funds totals.

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which represents professional and technical personnel (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).

Selected assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following table.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

			Forecast		
	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Negotiated Base Salary Increases [1]					
CSEA/NYSCOPBA/Council 82/UUP/DC-37/GSEU	2%	2%	TBD	TBD	TBD
PEF / PBANYS	2%	TBD	TBD	TBD	TBD
PBA[2]	2%	2%	1.5%	1.5%	TBD
State Workforce[3]	117,807	119,349	TBD	TBD	TBD
ERS Pension Contribution Rate[4]					
Before Amortization (Normal/Admin/GLIP)	20.4%	18.5%	18.6%	18.8%	19.0%
After Amortization	13.5%	14.5%	15.5%	16.5%	17.5%
PFRS Pension Contribution Rate					
Before Amortization (Normal/Admin/GLIP)	28.1%	25.0%	25.2%	25.4%	25.6%
After Amortization	21.5%	22.5%	23.5%	24.5%	25.5%
Employee/Retiree Health Insurance Growth Rates	1.8%	4.2%	6.6%	5.4%	5.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.5%	13.7%	13.9%	13.8%	13.9%

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

[2] Reflects settlement with the commissioned and noncommissioned officers unit only.

[3] Reflects workforce that is Subject to Direct Executive Control.

[4] As Percent of Salary.

The majority of State agencies are expected to hold personal service and non-personal service spending constant over the Financial Plan period, with a few exceptions. Costs from collective bargaining agreements, which include 2 percent salary increases in FY 2016 (for certain unions), applicable lump sum payments, and repayment of a portion of the deficit reduction adjustment made to employee salaries, are expected to be funded from operational savings.

DOH, gaming, and SUNY are three areas expected to experience limited programmatic growth. DOH operational increases are mainly due to transitioning of certain functions from the local services districts to the State as part of the ongoing statewide administrative takeover initiative and the implementation of the NYSOH insurance benefit exchange, the State's insurance marketplace program under the ACA. The growth in gaming is attributable to activities related to casino development and oversight. Higher SUNY spending reflects anticipated operating needs primarily supported by tuition.

Payments to the New York Power Authority (NYPA) represent an accounting reclassification across certain Financial Plan categories, but do not carry a Financial Plan impact. These payments were previously assumed in the Financial Plan under different categorization, pursuant to funding schedules agreed upon by the State and NYPA.

Other year-over-year increases are technical in nature and reflect funding reclassifications or administrative reconciliations. For example, growth in Temporary and Disability Assistance reflects the reclassification of local assistance contracts to agency operation spending. In addition, the State's workforce is paid on a bi-weekly basis; weekly pay cycles alternate between administrative and institutional payrolls. There are typically 26 pay periods in a fiscal year. In FY 2016, employees on the institutional pay schedule will have one additional payroll.

STATE OPERATING FUNDS - AGENCY OPERATIONS[1]
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	**9,881**	**10,196**	**10,152**	**10,333**	**10,189**
Mental Hygiene	2,861	2,792	2,794	2,814	2,856
Corrections and Community Supervision	2,641	2,615	2,638	2,638	2,638
State Police	667	639	651	651	651
Public Health	412	404	399	401	401
Tax and Finance	348	330	330	331	331
Children and Family Services	264	259	251	253	260
Environmental Conservation	230	238	238	216	217
Information Technology Services[2]	426	513	523	523	535
Financial Services	191	212	210	210	210
Medicaid Admin/BHP	163	326	350	325	321
Parks, Recreation and Historic Preservation	180	177	178	178	178
Gaming	134	156	156	157	157
Temporary and Disability Assistance	140	143	143	143	143
General Services	152	163	165	165	165
Workers' Compensation Board	142	142	142	142	143
Extra Bi-Weekly Institutional Pay Period	0	167	0	0	0
New York Power Authority Repayment	18	21	21	236	22
All Other	912	899	963	950	961
UNIVERSITY SYSTEMS	**5,854**	**5,804**	**5,953**	**6,083**	**6,220**
State University	5,774	5,720	5,867	5,995	6,131
City University	80	84	86	88	89
INDEPENDENT AGENCIES	**306**	**311**	**312**	**313**	**314**
Law	165	168	170	171	172
Audit & Control (OSC)	141	143	142	142	142
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	**16,041**	**16,311**	**16,417**	**16,729**	**16,723**
Judiciary	1,909	1,958	1,968	1,968	1,968
Legislature	207	219	219	219	219
Statewide Total	**18,157**	**18,488**	**18,604**	**18,916**	**18,910**
Personal Service	12,550	12,868	12,834	12,897	12,999
Non-Personal Service	5,607	5,620	5,770	6,019	5,911

[1] Does not include employee fringe benefits

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

In FY 2016, $12.9 billion or 13.7 percent of the State Operating Funds budget is projected to be spent on personal service costs. This funding supports roughly 99,260 Full-Time Equivalent (FTE) employees under direct Executive control; individuals employed by SUNY and CUNY (43,900) and Independent Agencies (18,100); employees paid on a non-annual salaried basis; and overtime pay. Roughly 70 percent of all Executive agency personal service spending occurs in three areas: SUNY, the Mental Hygiene agencies, and DOCCS.

STATE OPERATING FUNDS
FY 2016 FTEs[1] AND PERSONAL SERVICE SPENDING BY AGENCY
(millions of dollars)

	Dollars	FTEs
Subject to Direct Executive Control	**7,350**	**99,260**
Mental Hygiene Agencies	2,336	34,309
Corrections and Community Supervision	2,177	28,056
State Police	571	5,612
Tax and Finance	277	4,359
Health	263	3,919
Environmental Conservation	182	2,238
Children and Family Services	166	2,561
Financial Services	154	1,390
Parks, Recreation and Historic Preservation	137	1,559
All Other	1,087	15,257
University Systems	**3,621**	**43,911**
State University	3,579	43,575
City University[2]	42	336
Independent Agencies	**1,897**	**18,072**
Law	116	1,577
Audit & Control (OSC)	111	1,572
Judiciary	1,504	14,922
Legislature[3]	166	1
Total	**12,868**	**161,243**

[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 and total additional 13,275 FTEs excluded from the table above.

[3] Legislative employees are non-annual salaried, 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 share of Social Security, health insurance, workers' compensation, unemployment insurance and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget[4]. The Judiciary pays its fringe benefit costs directly from Judiciary appropriations.

Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance, and then partially reimbursed by revenue collected from fringe benefit assessments on employees. 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 2015 Results	FY 2016 Enacted	Change	FY 2017 Projected	Change	FY 2018 Projected	Change	FY 2019 Projected	Change
TOTAL STATE OPERATING FUNDS	**7,033**	**7,334**	**4.3%**	**7,894**	**7.6%**	**8,286**	**5.0%**	**8,711**	**5.1%**
Fringe Benefits	**6,665**	**6,943**	**4.2%**	**7,498**	**8.0%**	**7,885**	**5.2%**	**8,305**	**5.3%**
Health Insurance	3,319	3,451	4.0%	3,680	6.6%	3,880	5.4%	4,098	5.6%
Employee Health Insurance	2,091	2,174	4.0%	2,318	6.6%	2,444	5.4%	2,582	5.6%
Retiree Health Insurance	1,228	1,277	4.0%	1,362	6.7%	1,436	5.4%	1,516	5.6%
Pensions	2,130	2,219	4.2%	2,467	11.2%	2,660	7.8%	2,890	8.6%
Social Security	958	972	1.5%	987	1.5%	991	0.4%	995	0.4%
All Other Fringe	258	301	16.7%	364	20.9%	354	-2.7%	322	-9.0%
Fixed Costs	**368**	**391**	**6.3%**	**396**	**1.3%**	**401**	**1.3%**	**406**	**1.2%**

GSCs are projected to increase at an average annual rate of 5.5 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. Pension growth is driven by the recent implementation (September 2014) of new actuarial assumptions by the New York State and Local Retirement Systems' Actuary, and repayment of prior year amortization obligations -- partly offset by the expectation that a portion of future contributions will be amortized as permissible by law. The Financial Plan includes additional interest savings of approximately $41 million over the prior year, which is expected to be generated by paying the full amount of the 2016 pension bill by July 31, 2015, rather than on a monthly basis or by the statutorily required date of March 1, 2016.

Growth in health insurance spending is attributable to rising costs associated with health care benefits; however, the FY 2016 Financial Plan includes downward adjustments to forecasted spending for health insurance, as a result of revised rate renewal growth assumptions.

[4] Beginning in July 2015, SUNY TIAA-CREF and other SUNY fringe benefit costs will no longer be paid directly, but rather shift to the central statewide appropriation.

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 2015 Results	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
TOTAL TRANSFERS TO OTHER FUNDS	**8,601**	**14,276**	**9,945**	**10,644**	**10,962**
State Share of Mental Hygiene Medicaid	**1,419**	**2,162**	**1,439**	**1,313**	**1,255**
Debt Service	**1,297**	**886**	**1,242**	**1,422**	**1,210**
SUNY University Operations	**980**	**998**	**978**	**969**	**969**
Capital Projects	**1,264**	**5,947**	**1,844**	**2,072**	**2,295**
Dedicated Highway and Bridge Trust Fund	728	730	809	873	895
Dedicated Infrastructure Investment Fund	0	4,550	0	0	0
All Other Capital	536	667	1,035	1,199	1,400
ALL OTHER TRANSFERS	**3,641**	**4,283**	**4,442**	**4,868**	**5,233**
Mental Hygiene	2,504	2,975	3,152	3,577	3,873
Department of Transportation (MTA Payroll Tax)	331	335	335	336	336
SUNY - Medicaid Reimbursement	218	294	294	294	251
Judiciary Funds	117	107	107	107	107
SUNY - Hospital Operations	88	88	88	88	88
Dedicated Mass Transportation Trust Fund	63	63	63	63	63
Banking Services	32	52	54	55	55
Indigent Legal Services	33	35	35	35	35
Mass Transportation Operating Assistance	31	37	37	37	37
Alcoholic Beverage Control	20	20	20	20	20
Information Technology Services	14	8	2	2	2
Public Transportation Systems	16	15	15	15	15
Correctional Industries	12	11	11	11	11
All Other	162	243	229	228	340

A significant portion of the capital and operating expenses of the DOT and the Department of Motor Vehicles (DMV) are funded from DHBTF. The Fund receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and highway use taxes. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF because 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 $14.3 billion in FY 2016, a $5.7 billion increase from FY 2015, largely derived from the one-time transfer of $4.6 billion in monetary settlement moneys to the DIIF. The funding will be used to make targeted investments in various areas, including the Thruway Stabilization and Upstate Revitalization programs. In addition, $850 million in monetary settlement funds previously reserved for Financial Plan risk will be used to pay a portion of a $1.95 billion in Federal Medicaid disallowances associated with OPWDD-operated treatment facilities. The remaining balance of the Medicaid disallowance repayments will be transferred in annual amounts of $100 million for 11 years beginning in FY 2017.

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	FY 2015 Results	FY 2016 Enacted	Change	FY 2017 Enacted	Change	FY 2018 Enacted	Change	FY 2019 Enacted	Change
General Fund	**1,297**	**886**	**-31.7%**	**1,242**	**40.2%**	**1,422**	**14.5%**	**1,210**	**-14.9%**
Other State Support	4,886	4,236	-13.3%	4,966	17.2%	5,277	6.3%	5,794	9.8%
State Operating/All Funds Total	**6,183**	**5,122**	**-17.2%**	**6,208**	**21.2%**	**6,699**	**7.9%**	**7,004**	**4.6%**

Total debt service is projected at $5.1 billion in FY 2016, of which approximately $886 million is paid from the General Fund through transfers, and $4.2 billion from other State funds. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service is paid directly from other State funds, subject to appropriation, for the State's revenue bonds, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including actual bond sale results to date, assumed debt management savings and increased debt service costs associated with enacted additional capital commitment levels. Also, FY 2016 debt service spending estimates assume the prepayment of $100 million of debt service due during FY 2017. Debt service spending in FY 2015 reflects prepayments in excess of $900 million due during FY 2016.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund. The Financial Plan projections for FY 2016 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as "Adherence to 2% Spending Benchmark." Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, budget gaps may result.

State Financial Plan Projections Fiscal Years 2016 Through 2019

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
FY 2016 THROUGH FY 2019
(millions of dollars)

	FY 2016 Enacted	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected
Taxes:				
Withholdings	36,940	38,971	40,400	42,198
Estimated Payments	15,746	17,039	18,378	17,796
Final Payments	2,493	2,670	2,841	2,984
Other Payments	1,333	1,383	1,422	1,482
Gross Collections	56,512	60,063	63,041	64,460
State/City Offset	(588)	(588)	(588)	(588)
Refunds	(8,849)	(9,360)	(9,406)	(9,446)
Reported Tax Collections	47,075	50,115	53,047	54,426
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	47,075	50,115	53,047	54,426
Sales and Use Tax	13,532	14,067	14,618	15,212
Cigarette and Tobacco Taxes	1,220	1,226	1,187	1,148
Motor Fuel Tax	485	485	482	478
Alcoholic Beverage Taxes	256	261	266	271
Highway Use Tax	148	142	143	152
Auto Rental Tax	124	128	135	141
Taxicab Surcharge	85	85	85	85
Gross Utility Taxes and Fees	15,850	16,394	16,916	17,487
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	15,850	16,394	16,916	17,487
Corporation Franchise Tax	4,673	4,419	4,591	4,756
Corporation and Utilities Tax	794	811	815	835
Insurance Taxes	1,585	1,559	1,614	1,687
Bank Tax	(10)	203	190	143
Petroleum Business Tax	1,095	1,055	1,051	1,043
Business Taxes	8,137	8,047	8,261	8,464
Estate Tax	1,050	965	891	855
Real Estate Transfer Tax	1,085	1,138	1,176	1,221
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	18	18	18	18
Other Taxes	1	1	1	1
Gross Other Taxes	2,154	2,122	2,086	2,095
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,154	2,122	2,086	2,095
Payroll Tax	1,346	1,404	1,473	1,549
Total Taxes	74,562	78,082	81,783	84,021
Licenses, Fees, Etc.	625	595	652	600
Abandoned Property	655	550	550	550
Motor Vehicle Fees	1,303	1,362	1,367	1,368
ABC License Fee	65	61	62	63
Reimbursements	269	263	253	262
Investment Income	4	4	5	5
Other Transactions	22,489	21,259	20,862	21,039
Miscellaneous Receipts	25,410	24,094	23,751	23,887
Federal Receipts	51,396	51,553	52,012	52,202
Total	151,368	153,729	157,546	160,110

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2016
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,300	2,472	118	9,890
Receipts:				
Taxes	45,780	8,373	19,060	73,213
Miscellaneous Receipts	4,365	15,179	470	20,014
Federal Receipts	0	1	73	74
Total Receipts	50,145	23,553	19,603	93,301
Disbursements:				
Local Assistance Grants	44,356	18,949	0	63,305
Departmental Operations:				
Personal Service	6,079	6,789	0	12,868
Non-Personal Service	2,184	3,392	44	5,620
General State Charges	5,195	2,139	0	7,334
Debt Service	0	0	5,122	5,122
Capital Projects	0	1	0	1
Total Disbursements	57,814	31,270	5,166	94,250
Other Financing Sources (Uses):				
Transfers from Other Funds	18,140	8,711	3,897	30,748
Transfers to Other Funds	(14,276)	(1,380)	(18,251)	(33,907)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	3,864	7,331	(14,354)	(3,159)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,805)	(386)	83	(4,108)
Closing Fund Balance	3,495	2,086	201	5,782
Intra-Fund Transfers Adjustment	0	486	0	486
Closing Balance with Intra-Fund Transfers	3,495	2,572	201	6,268

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2016 Through 2019

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2017
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	48,090	8,537	20,130	76,757
Miscellaneous Receipts	2,591	15,598	453	18,642
Federal Receipts	0	1	73	74
Total Receipts	50,681	24,136	20,656	95,473
Disbursements:				
Local Assistance Grants	46,783	18,976	0	65,759
Departmental Operations:				
Personal Service	6,049	6,785	0	12,834
Non-Personal Service	2,262	3,461	47	5,770
General State Charges	5,710	2,184	0	7,894
Debt Service	0	0	6,208	6,208
Capital Projects	0	3	0	3
Total Disbursements	60,804	31,409	6,255	98,468
Other Financing Sources (Uses):				
Transfers from Other Funds	18,044	7,967	4,188	30,199
Transfers to Other Funds	(9,945)	(848)	(18,514)	(29,307)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,099	7,119	(14,326)	892
Use (Reservation) of Fund Balance:				
Community Projects Fund	0	0	0	0
Prior-Term Labor Agreements	(30)	0	0	(30)
Monetary Settlements	0	0	0	0
Total Use (Reservation) of Fund Balance	(30)	0	0	(30)
Adherence to 2% Spending Benchmark*	2,333	0	0	2,333
Net Surplus (Deficit)	279	(154)	75	200
Intra-Fund Transfers Adjustment	0	456	0	456
Net Surplus (Deficit) with Intra-Fund Transfers	279	302	75	656

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

Source: NYS DOB.

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2018
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,595	8,702	21,160	80,457
Miscellaneous Receipts	2,353	15,814	453	18,620
Federal Receipts	0	1	73	74
Total Receipts	52,948	24,517	21,686	99,151
Disbursements:				
Local Assistance Grants	49,160	19,343	0	68,503
Departmental Operations:				
Personal Service	6,076	6,821	0	12,897
Non-Personal Service	2,488	3,484	47	6,019
General State Charges	6,032	2,254	0	8,286
Debt Service	0	0	6,699	6,699
Capital Projects	0	3	0	3
Total Disbursements	63,756	31,905	6,746	102,407
Other Financing Sources (Uses):				
Transfers from Other Funds	18,815	8,104	4,283	31,202
Transfers to Other Funds	(10,644)	(797)	(19,131)	(30,572)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,171	7,307	(14,848)	630
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(10)	0	0	(10)
Monetary Settlements	0	0	0	0
Total Use (Reservation) of Fund Balance	(10)	0	0	(10)
Adherence to 2% Spending Benchmark*	4,349	0	0	4,349
Net Surplus (Deficit)	1,702	(81)	92	1,713
Intra-Fund Transfers Adjustment	0	456	0	456
Net Surplus (Deficit) with Intra-Fund Transfers	1,702	375	92	2,169

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

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2016 Through 2019

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	51,975	8,886	21,829	82,690
Miscellaneous Receipts	2,212	15,929	452	18,593
Federal Receipts	0	1	73	74
Total Receipts	54,187	24,816	22,354	101,357
Disbursements:				
Local Assistance Grants	51,653	19,559	0	71,212
Departmental Operations:				
Personal Service	6,104	6,895	0	12,999
Non-Personal Service	2,302	3,562	47	5,911
General State Charges	6,349	2,362	0	8,711
Debt Service	0	0	7,004	7,004
Capital Projects	0	3	0	3
Total Disbursements	66,408	32,381	7,051	105,840
Other Financing Sources (Uses):				
Transfers from Other Funds	18,978	8,361	4,031	31,370
Transfers to Other Funds	(10,962)	(803)	(19,261)	(31,026)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,016	7,558	(15,230)	344
Use (Reservation) of Fund Balance:				
Prior-Term Labor Agreements	(10)	0	0	(10)
Monetary Settlements	0	0	0	0
Total Use (Reservation) of Fund Balance	(10)	0	0	(10)
Adherence to 2% Spending Benchmark*	5,821	0	0	5,821
Net Surplus (Deficit)	1,606	(7)	73	1,672
Intra-Fund Transfers Adjustment	0	414	0	414
Net Surplus (Deficit) with Intra-Fund Transfers	1,606	407	73	2,086

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

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2016
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,300	2,661	(724)	118	9,355
Receipts:					
Taxes	45,780	8,373	1,349	19,060	74,562
Miscellaneous Receipts	4,365	15,276	5,299	470	25,410
Federal Receipts	0	49,627	1,696	73	51,396
Total Receipts	50,145	73,276	8,344	19,603	151,368
Disbursements:					
Local Assistance Grants	44,356	64,400	3,154	0	111,910
Departmental Operations:					
Personal Service	6,079	7,425	0	0	13,504
Non-Personal Service	2,184	4,586	0	44	6,814
General State Charges	5,195	2,445	0	0	7,640
Debt Service	0	0	0	5,122	5,122
Capital Projects	0	1	7,159	0	7,160
Total Disbursements	57,814	78,857	10,313	5,166	152,150
Other Financing Sources (Uses):					
Transfers from Other Funds	18,140	8,747	6,237	3,897	37,021
Transfers to Other Funds	(14,276)	(3,058)	(1,515)	(18,251)	(37,100)
Bond and Note Proceeds	0	0	685	0	685
Net Other Financing Sources (Uses)	3,864	5,689	5,407	(14,354)	606
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(3,805)	108	3,438	83	(176)
Closing Fund Balance	3,495	2,769	2,714	201	9,179

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2016 Through 2019

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2017
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	48,090	8,537	1,325	20,130	78,082
Miscellaneous Receipts	2,591	15,709	5,341	453	24,094
Federal Receipts	0	49,850	1,630	73	51,553
Total Receipts	50,681	74,096	8,296	20,656	153,729
Disbursements:					
Local Assistance Grants	46,783	64,983	3,343	0	115,109
Departmental Operations:					
Personal Service	6,049	7,470	0	0	13,519
Non-Personal Service	2,262	4,422	0	47	6,731
General State Charges	5,710	2,503	0	0	8,213
Debt Service	0	0	0	6,208	6,208
Capital Projects	0	3	7,050	0	7,053
Total Disbursements	60,804	79,381	10,393	6,255	156,833
Other Financing Sources (Uses):					
Transfers from Other Funds	18,044	7,967	2,126	4,188	32,325
Transfers to Other Funds	(9,945)	(2,370)	(1,574)	(18,514)	(32,403)
Bond and Note Proceeds	0	0	657	0	657
Net Other Financing Sources (Uses)	8,099	5,597	1,209	(14,326)	579
Use (Reservation) of Fund Balance:					
Community Projects Fund	0	0	0	0	0
Prior-Term Labor Agreements	(30)	0	0	0	(30)
Monetary Settlements	0	0	0	0	0
Total Use (Reservation) of Fund Balance	(30)	0	0	0	(30)
Adherence to 2% Spending Benchmark*	2,333	0	0	0	2,333
Net Surplus (Deficit)	279	312	(888)	75	(222)

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

Source: NYS DOB.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2018
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,595	8,702	1,326	21,160	81,783
Miscellaneous Receipts	2,353	15,925	5,020	453	23,751
Federal Receipts	0	50,322	1,617	73	52,012
Total Receipts	52,948	74,949	7,963	21,686	157,546
Disbursements:					
Local Assistance Grants	49,160	65,889	3,115	0	118,164
Departmental Operations:					
Personal Service	6,076	7,516	0	0	13,592
Non-Personal Service	2,488	4,488	0	47	7,023
General State Charges	6,032	2,578	0	0	8,610
Debt Service	0	0	0	6,699	6,699
Capital Projects	0	3	7,029	0	7,032
Total Disbursements	63,756	80,474	10,144	6,746	161,120
Other Financing Sources (Uses):					
Transfers from Other Funds	18,815	8,104	2,303	4,283	33,505
Transfers to Other Funds	(10,644)	(2,194)	(1,614)	(19,131)	(33,583)
Bond and Note Proceeds	0	0	462	0	462
Net Other Financing Sources (Uses)	8,171	5,910	1,151	(14,848)	384
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(10)	0	0	0	(10)
Total Use (Reservation) of Fund Balance	(10)	0	0	0	(10)
Adherence to 2% Spending Benchmark*	4,349	0	0	0	4,349
Net Surplus (Deficit)	1,702	385	(1,030)	92	1,149

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

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2016 Through 2019

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	51,975	8,886	1,331	21,829	84,021
Miscellaneous Receipts	2,212	16,040	5,183	452	23,887
Federal Receipts	0	50,531	1,598	73	52,202
Total Receipts	54,187	75,457	8,112	22,354	160,110
Disbursements:					
Local Assistance Grants	51,653	66,403	3,254	0	121,310
Departmental Operations:					
Personal Service	6,104	7,594	0	0	13,698
Non-Personal Service	2,302	4,582	0	47	6,931
General State Charges	6,349	2,690	0	0	9,039
Debt Service	0	0	0	7,004	7,004
Capital Projects	0	3	7,100	0	7,103
Total Disbursements	66,408	81,272	10,354	7,051	165,085
Other Financing Sources (Uses):					
Transfers from Other Funds	18,978	8,361	2,528	4,031	33,898
Transfers to Other Funds	(10,962)	(2,140)	(1,623)	(19,261)	(33,986)
Bond and Note Proceeds	0	0	451	0	451
Net Other Financing Sources (Uses)	8,016	6,221	1,356	(15,230)	363
Use (Reservation) of Fund Balance:					
Prior-Term Labor Agreements	(10)	0	0	0	(10)
Total Use (Reservation) of Fund Balance	(10)	0	0	0	(10)
Adherence to 2% Spending Benchmark*	5,821	0	0	0	5,821
Net Surplus (Deficit)	1,606	406	(886)	73	1,199

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

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2016
(dollars in millions)

	2015 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2016 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,300	10,377	8,547	9,180	7,462	7,215	9,407	7,811	5,115	7,254	8,501	8,486	7,300
RECEIPTS:													
Personal Income Tax	5,044	1,604	2,904	1,976	1,879	3,565	1,603	845	3,720	3,266	2,787	2,731	31,924
Consumption/Use Taxes	526	520	661	545	533	700	542	544	676	564	448	631	6,890
Business Taxes	208	6	987	117	84	1,027	116	86	954	136	94	2,082	5,897
Other Taxes	152	106	82	81	82	82	86	86	86	76	75	75	1,069
Total Taxes	5,930	2,236	4,634	2,719	2,578	5,374	2,347	1,561	5,436	4,042	3,404	5,519	45,780
Abandoned Property	0	0	0	0	5	55	15	135	20	35	85	305	655
ABC License Fee	6	6	5	6	6	6	6	5	5	4	5	5	65
Investment Income	0	0	0	0	0	0	0	0	0	0	2	2	4
Licenses, Fees, etc.	42	55	65	35	55	75	40	45	75	35	60	43	625
Motor Vehicle Fees	36	21	6	20	6	7	24	0	21	9	14	6	170
Reimbursements	4	14	45	5	20	45	5	15	45	10	15	46	269
Other Transactions	89	1,910	19	38	16	152	36	39	39	35	16	188	2,577
Total Miscellaneous Receipts	177	2,006	140	104	108	340	126	239	205	128	197	595	4,365
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,682	493	1,112	503	245	1,423	502	109	1,288	874	557	1,427	10,215
Tax in Excess of LGAC	234	67	475	244	198	322	247	249	313	255	3	160	2,767
Sales Tax Bond Fund	220	222	290	227	227	317	226	227	292	233	187	298	2,966
Real Estate Taxes in Excess of CW/CA Debt Service	80	70	70	71	78	76	79	75	79	90	74	52	894
All Other	15	295	8	1	1	147	6	1	48	36	207	533	1,298
Total Transfers from Other Funds	2,231	1,147	1,955	1,046	749	2,285	1,060	661	2,020	1,488	1,028	2,470	18,140
TOTAL RECEIPTS	8,338	5,389	6,729	3,869	3,435	7,999	3,533	2,461	7,661	5,658	4,629	8,584	68,285
DISBURSEMENTS:													
School Aid	535	2,755	2,030	198	666	1,753	1,123	1,670	1,733	468	584	6,557	20,072
Higher Education	18	43	776	161	141	208	362	60	235	54	362	555	2,975
All Other Education	18	526	23	120	81	450	119	43	201	36	48	521	2,186
Medicaid - DOH	1,231	1,112	915	1,150	1,106	1,017	1,117	1,156	680	1,086	991	669	12,230
Public Health	11	179	58	54	53	47	31	40	82	47	51	80	733
Mental Hygiene	3	1	289	1	1	277	1	1	319	12	69	210	1,184
Children and Families	39	123	258	75	75	278	75	75	278	102	100	276	1,754
Temporary & Disability Assistance	93	96	154	96	96	96	96	96	96	96	97	106	1,218
Transportation	0	25	0	0	25	0	0	25	22	0	15	1	113
Unrestricted Aid	1	13	391	2	2	104	9	2	188	2	3	68	785
All Other	3	21	144	41	41	(2)	48	110	113	209	190	188	1,106
Total Local Assistance Grants	1,952	4,894	5,038	1,898	2,287	4,228	2,981	3,278	3,947	2,112	2,510	9,231	44,356
Personal Service	554	451	456	580	454	454	522	454	608	496	492	558	6,079
Non-Personal Service	68	154	172	148	177	167	188	194	170	224	230	292	2,184
Total Departmental Operations	622	605	628	728	631	621	710	648	778	720	722	850	8,263
General State Charges	612	632	316	1,685	(56)	319	464	272	104	390	130	327	5,195
Debt Service	302	0	(22)	158	(3)	(70)	145	0	(2)	389	(19)	8	886
Capital Projects	73	216	(348)	383	206	419	218	171	472	396	941	2,800	5,947
State Share Medicaid	992	115	107	104	108	109	110	100	113	110	100	94	2,162
SUNY Operations	210	210	210	191	0	0	0	179	0	0	(1)	(1)	998
Other Purposes	498	547	167	440	509	181	501	509	110	294	261	266	4,283
Total Transfers to Other Funds	2,075	1,088	114	1,276	820	639	974	959	693	1,189	1,282	3,167	14,276
TOTAL DISBURSEMENTS	5,261	7,219	6,096	5,587	3,682	5,807	5,129	5,157	5,522	4,411	4,644	13,575	72,090
Excess/(Deficiency) of Receipts over Disbursements	3,077	(1,830)	633	(1,718)	(247)	2,192	(1,596)	(2,696)	2,139	1,247	(15)	(4,991)	(3,805)
CLOSING BALANCE	10,377	8,547	9,180	7,462	7,215	9,407	7,811	5,115	7,254	8,501	8,486	3,495	3,495

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

By: _____
Date: _____

State of New York

_____
for the Director of the Budget

Approved:

By: _____
for the State Comptroller
Date: _____

New York State Urban Development Corporation

_____
Chief Financial and Administrative Officer

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APPENDIX D

EXECUTED COPY OF MASTER CONTINUING DISCLOSURE AGREEMENT

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NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS
MASTER CONTINUING DISCLOSURE AGREEMENT

THIS MASTER CONTINUING DISCLOSURE AGREEMENT dated as of May 1, 2002, as amended and restated as of July 1, 2009 and as further amended and restated as of December 1, 2010 (as so amended and restated, the "Agreement"), is made by and among each Authorized Issuer, the State, and the respective Trustees, each as defined below in Section 1.

In order to permit the Underwriters of each series of Bonds issued from and after the date hereof to comply with the provisions of Rule 15c2-12, each of the parties hereto (as applicable), in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree, for the sole and exclusive benefit of the Holders and, for the purposes of Section 5, the beneficial owners of Bonds, as follows:

SECTION 1. Definitions; Rules of Construction(i) Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Authorizing Document.

"*Annual Information*" shall mean the information specified in Section 3.

"*Authorizing Document*" shall mean the applicable Authorized Issuer's State Personal Income Tax Revenue Bond General Resolution, including Annex A thereto, as supplemented and amended from time to time.

"*Authorized Issuer*" shall mean, individually, the Dormitory Authority of the State of New York, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority, and the New York State Urban Development Corporation, each a public corporation or a public benefit corporation of the State of New York that is designated as an Authorized Issuer under the Enabling Act, and any successors thereto or any other public benefit corporation of the State of New York which may be authorized from time to time by the Enabling Act to issue Bonds.

"*Bonds*" shall mean all of the State Personal Income Tax Revenue Bonds issued from time to time by Authorized Issuers and outstanding pursuant to the applicable Authorizing Document.

"*Comptroller*" shall mean the Comptroller of the State of New York.

"*Director*" shall mean the Director of the Budget of the State of New York.

"*DOB*" shall mean the Division of the Budget of the State of New York.

"*EMMA*" shall mean the Electronic Municipal Market Access system described in Securities Exchange Act Release No. 34-59062 (or any successor electronic information system) and maintained by the MSRB as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12.

"*Enabling Act*" shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as supplemented and amended from time to time.

"*GAAP*" shall mean generally accepted accounting principles as prescribed from time to time for governmental units in the United States by the Governmental Accounting Standards Board.

"*GAAS*" shall mean generally accepted auditing standards as in effect from time to time in the United States.

"*Holder*" or "*Bondholder*" shall mean a registered owner of any Bond or Bonds.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"*Rule 15c2-12*" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement, including any official interpretations thereof promulgated on or prior to the effective date of this Agreement.

"*State*" shall mean the State of New York, acting by and through the Director or the Comptroller.

"*Trustee*" shall mean the applicable trustee appointed by the applicable Authorized Issuer pursuant to an Authorizing Document, and their respective successors and assigns.

"*Underwriters*" shall mean the underwriter or underwriters that have contracted to purchase one or more series of Bonds from an Authorized Issuer at initial issuance.

(ii) Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) Any reference herein to a particular Section or subsection without further reference to a particular document or provision of law or regulation is a reference to a Section or subsection of this Agreement.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

SECTION 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Trustees.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to electronically file with the MSRB, no later than 120

days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, the Annual Information relating to such fiscal year.

(b) The State, acting by and through the Comptroller, hereby undertakes, for the benefit of the Holders of the Bonds, to electronically file with the MSRB, no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2002, audited financial statements of the State for such fiscal year; provided, however, that if audited financial statements are not then available, unaudited financial statements shall be so provided and such audited financial statements shall be electronically filed with the MSRB if and when they become available.

(c) The Director and each Trustee shall notify the applicable Authorized Issuer upon the occurrence of any of the events listed in Section 2(ii)(a) promptly upon becoming aware of the occurrence of any such event. With respect to the foregoing, no Trustee shall be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department becomes aware of the occurrence of any such event.

(ii) Obligations of each Authorized Issuer. Each Authorized Issuer hereby undertakes, for the benefit of Holders of the Bonds issued by it, to provide the following:

(a) to the MSRB in a timely manner not in excess of ten business days after the occurrence of any of the events listed below, notice of any of such events with respect to the Bonds issued by it:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 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: Maryann Zucker
Title: President, Office of Finance & Development

THE STATE OF NEW YORK
Obligated Person

By Thomas P. DiNapoli, Comptroller

By: _____
Name: Mark P. Patterson
Title: Executive Deputy Comptroller

By Robert L. Megna, Director of the Budget

By: _____
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 2016 Bonds, Hawkins Delafield & Wood LLP and 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:

March 17, 2016

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 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 $1,654,930,000 aggregate principal amount of the Corporation's State Personal Income Tax Revenue Bonds (General Purpose), Series 2016A (the "Series 2016 Bonds"). The Series 2016 Bonds are dated, bear interest, mature and are subject to redemption as set forth in the Resolutions hereinafter mentioned.

The Series 2016 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 2016 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 March 1, 2016, entitled "Supplemental Resolution Authorizing $1,654,930,000 State Personal Income Tax Revenue Bonds (General Purpose), Series 2016A" and by a resolution of the Corporation adopted on March 1, 2016, entitled "Bond Financing Committee Resolution Concerning the Sale and Issuance of State Personal Income Tax Revenue Bonds (General Purpose), Series 2016A and Series 2016B (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 2016 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 2016 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 2016 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 2016 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 2016 Bonds are not a debt of the State and the State is not liable thereon, nor shall the Series 2016 Bonds be payable out of funds of the Corporation other than those pledged for the payment of the Series 2016 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 2016 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 2016 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 Transportation ("DOT"), the New York State Thruway Authority ("NYSTA"), the New York State Department of Corrections and Community Supervision ("DOCCS"), 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 Division of State Police ("DSP"), the New York State Division of Military and Naval Affairs ("DMNA") and others, and we have assumed compliance by, as applicable, the Corporation, DOT, NYSTA, DOCCS, OGS, HFA, AHC, HHAC, HTFC, DSP and DMNA with certain ongoing covenants to comply with the applicable requirements of the Code to assure the exclusion of interest on the Series 2016 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 2016 Bonds to be included in gross income for Federal income tax purposes, retroactive to the date of issuance of the Series 2016 Bonds, irrespective of the date on which such noncompliance occurs or is discovered.

7. Under existing statutes, interest on the Series 2016 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 2016 Bonds other than as expressed in paragraphs 6 and 7 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 2016 Bonds, or the exemption from personal income taxes of interest on the Series 2016 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 2016 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 2016 Bond and, in our opinion, the form of said Series 2016 Bond and its execution are regular and proper.

Very truly yours,

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APPENDIX F

REFUNDED BONDS

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APPENDIX F

REFUNDED BONDS

The following is a list of the series of bonds that will be refunded with a portion of the proceeds of the Series 2016 Bonds, together with other available funds. All of the bonds listed below are the Refunded Bonds as referred to in "PART 6 – 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 2016 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	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%	$14,650,000	12/15/2017	650035HN1
	12/15/2019	5.000	15,370,000	12/15/2017	650035HP6
	12/15/2020	5.000	16,140,000	12/15/2017	650035HQ4
	12/15/2021	5.000	16,960,000	12/15/2017	650035HR2
	12/15/2022	5.000	17,795,000	12/15/2017	650035HS0
	12/15/2023	5.000	18,700,000	12/15/2017	650035HT8
	12/15/2024	4.000	3,465,000	12/15/2017	650035HU5
	12/15/2024	5.000	16,150,000	12/15/2017	650035HV3
	12/15/2025	5.000	20,565,000	12/15/2017	650035HW1
	12/15/2026	5.000	21,595,000	12/15/2017	650035HX9
	12/15/2027	4.000	1,330,000	12/15/2017	650035HY7
	12/15/2027	5.000	21,345,000	12/15/2017	650035HZ4
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2007B					
Serial Bonds	3/15/2018	5.000%	$ 7,080,000	3/15/2017	650035CS5
	3/15/2019	5.000	7,440,000	3/15/2017	650035CT3
	3/15/2020	5.000	7,820,000	3/15/2017	650035CU0
	3/15/2021	5.000	8,220,000	3/15/2017	650035CV8
	3/15/2022	5.000	8,645,000	3/15/2017	650035CW6
	3/15/2023	5.000	9,090,000	3/15/2017	650035CX4
	3/15/2024	5.000	9,550,000	3/15/2017	650035CY2
	3/15/2025	5.000	10,045,000	3/15/2017	650035CZ9
	3/15/2026	5.000	10,560,000	3/15/2017	650035DA3
	3/15/2027	5.000	11,100,000	3/15/2017	650035DB1
	3/15/2028*	5.000	9,135,000	3/15/2017	650035DC9
	3/15/2029*	5.000	9,600,000	3/15/2017	650035DC9
	3/15/2030*	5.000	10,095,000	3/15/2017	650035DC9
	3/15/2031*	5.000	10,610,000	3/15/2017	650035DC9
Term Bond due	3/15/2032	5.000	11,155,000	3/15/2017	650035DC9
	3/15/2033*	5.000	11,725,000	3/15/2017	650035DD7
	3/15/2034*	5.000	12,330,000	3/15/2017	650035DD7
	3/15/2035*	5.000	12,960,000	3/15/2017	650035DD7
	3/15/2036*	5.000	13,625,000	3/15/2017	650035DD7
Term Bond due	3/15/2037	5.000	14,325,000	3/15/2017	650035DD7

* Sinking fund payment.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	CUSIP Number
New York State Urban Development Corporation State Personal Income Tax Revenue Bonds (State Facilities and Equipment), Series 2007C					
Serial Bonds	3/15/2019	4.000%	$ 7,540,000	3/15/2018	650035FY9
	3/15/2020	4.000	7,845,000	3/15/2018	650035FZ6
	3/15/2021	4.000	8,155,000	3/15/2018	650035GA0
	3/15/2022	4.125	8,485,000	3/15/2018	650035GB8
	3/15/2023	4.250	8,835,000	3/15/2018	650035GC6
	3/15/2024	4.250	9,210,000	3/15/2018	650035GD4
	3/15/2025	4.250	9,600,000	3/15/2018	650035GE2
	3/15/2026	4.250	10,010,000	3/15/2018	650035GF9
	3/15/2027	4.250	10,435,000	3/15/2018	650035GG7
	3/15/2028	4.250	9,825,000	3/15/2018	650035GH5
	3/15/2029*	4.500	10,245,000	3/15/2018	650035GJ1
	3/15/2030*	4.500	10,705,000	3/15/2018	650035GJ1
Term Bond due	3/15/2031	4.500	11,185,000	3/15/2018	650035GJ1
	3/15/2032*	5.000	11,690,000	3/15/2018	650035GK8
Term Bond due	3/15/2033	5.000	12,275,000	3/15/2018	650035GK8
	3/15/2034*	4.500	12,890,000	3/15/2018	650035GL6
	3/15/2035*	4.500	13,470,000	3/15/2018	650035GL6
	3/15/2036*	4.500	14,075,000	3/15/2018	650035GL6
Term Bond due	3/15/2037	4.500	14,705,000	3/15/2018	650035GL6

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* Sinking fund payment.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	CUSIP Number
New York State Housing Finance Agency State Personal Income Tax Revenue Bonds (Economic Development and Housing), 2008 Series A					
	3/15/2018*	4.000%	$1,625,000	9/15/2017	649870JU7
Term Bond due	9/15/2018	4.000	1,655,000	9/15/2017	649870JU7
	3/15/2019*	5.000	1,690,000	9/15/2017	649870JV5
Term Bond due	9/15/2019	5.000	1,735,000	9/15/2017	649870JV5
	3/15/2020*	4.000	1,775,000	9/15/2017	649870JW3
Term Bond due	9/15/2020	4.000	1,810,000	9/15/2017	649870JW3
	3/15/2021*	4.000	1,850,000	9/15/2017	649870JX1
Term Bond due	9/15/2021	4.000	1,885,000	9/15/2017	649870JX1
	3/15/2022*	4.000	1,920,000	9/15/2017	649870JY9
Term Bond due	9/15/2022	4.000	1,960,000	9/15/2017	649870JY9
	3/15/2023*	5.000	2,000,000	9/15/2017	649870JZ6
Term Bond due	9/15/2023	5.000	2,050,000	9/15/2017	649870JZ6
	3/15/2024*	5.000	2,100,000	9/15/2017	649870KA9
Term Bond due	9/15/2024	5.000	2,155,000	9/15/2017	649870KA9
	3/15/2025*	5.000	2,205,000	9/15/2017	649870KB7
Term Bond due	9/15/2025	5.000	2,265,000	9/15/2017	649870KB7
	3/15/2026*	5.000	2,320,000	9/15/2017	649870KC5
Term Bond due	9/15/2026	5.000	2,375,000	9/15/2017	649870KC5
	3/15/2027*	5.000	2,435,000	9/15/2017	649870KD3
Term Bond due	9/15/2027	5.000	2,495,000	9/15/2017	649870KD3
	3/15/2028*	5.000	2,560,000	9/15/2017	649870KE1
Term Bond due	9/15/2028	5.000	2,625,000	9/15/2017	649870KE1
	3/15/2029*	5.000	2,690,000	9/15/2017	649870KF8
	9/15/2029*	5.000	2,755,000	9/15/2017	649870KF8
	3/15/2030*	5.000	2,825,000	9/15/2017	649870KF8
	9/15/2030*	5.000	2,895,000	9/15/2017	649870KF8
	3/15/2031*	5.000	2,970,000	9/15/2017	649870KF8
	9/15/2031*	5.000	3,045,000	9/15/2017	649870KF8
	3/15/2032*	5.000	3,120,000	9/15/2017	649870KF8
	9/15/2032*	5.000	3,195,000	9/15/2017	649870KF8
	3/15/2033*	5.000	3,275,000	9/15/2017	649870KF8
	9/15/2033*	5.000	3,360,000	9/15/2017	649870KF8
Term Bond due	3/15/2034	5.000	3,445,000	9/15/2017	649870KF8
	9/15/2034*	5.000	3,530,000	9/15/2017	649870KG6
	3/15/2035*	5.000	3,615,000	9/15/2017	649870KG6
	9/15/2035*	5.000	3,705,000	9/15/2017	649870KG6
	3/15/2036*	5.000	3,800,000	9/15/2017	649870KG6
	9/15/2036*	5.000	3,895,000	9/15/2017	649870KG6
	3/15/2037*	5.000	3,990,000	9/15/2017	649870KG6
	9/15/2037*	5.000	4,090,000	9/15/2017	649870KG6
Term Bond due	3/15/2038	5.000	4,195,000	9/15/2017	649870KG6

* Sinking fund payment.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	CUSIP Number
New York State Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2007A					
Serial Bonds	3/15/2018	4.250%	$12,295,000	9/15/2017	650028LA9
	3/15/2018	5.000	3,585,000	9/15/2017	650028LB7
	3/15/2019	4.500	11,290,000	9/15/2017	650028LC5
	3/15/2019	5.000	5,295,000	9/15/2017	650028LD3
	3/15/2020	4.500	7,690,000	9/15/2017	650028LE1
	3/15/2020	5.250	9,665,000	9/15/2017	650028LF8
	3/15/2021	5.250	18,210,000	9/15/2017	650028LG6
	3/15/2022	5.000	19,165,000	9/15/2017	650028LH4
	3/15/2023	5.250	20,125,000	9/15/2017	650028LJ0
	3/15/2024	5.250	21,180,000	9/15/2017	650028LK7
	3/15/2025	5.250	22,290,000	9/15/2017	650028LL5
	3/15/2026	5.250	23,465,000	9/15/2017	650028LM3
	3/15/2027	4.750	9,330,000	9/15/2017	650028LN1
	3/15/2027	5.250	15,365,000	9/15/2017	650028LP6
New York State Thruway Authority State Personal Income Tax Revenue Bonds (Transportation), Series 2008A					
Serial Bonds	3/15/2020	4.000%	$ 8,215,000	9/15/2018	650028PB3
	3/15/2020	5.000	10,950,000	9/15/2018	650028PC1
	3/15/2021	5.000	20,045,000	9/15/2018	650028PD9
	3/15/2022	5.000	21,045,000	9/15/2018	650028PE7
	3/15/2023	4.250	5,155,000	9/15/2018	650028PF4
	3/15/2023	5.000	16,940,000	9/15/2018	650028PG2
	3/15/2024	4.250	23,165,000	9/15/2018	650028PH0
	3/15/2025	5.000	24,150,000	9/15/2018	650028PJ6
	3/15/2026	5.000	25,355,000	9/15/2018	650028PK3
	3/15/2027	5.000	26,625,000	9/15/2018	650028PL1
	3/15/2028	4.500	5,440,000	9/15/2018	650028PM9
	3/15/2028	5.000	22,515,000	9/15/2018	650028PN7
New York State Thruway Authority Second General Highway and Bridge Trust Fund Bonds, Series 2007B					
Serial Bonds	4/1/2017	5.000%	$ 9,660,000	4/1/2017	6500134U6
	4/1/2018	4.125	5,920,000	10/1/2017	6500134V4
	4/1/2018	5.000	11,850,000	10/1/2017	6500134W2
	4/1/2019	4.250	2,330,000	10/1/2017	6500134X0
	4/1/2019	5.000	16,280,000	10/1/2017	6500134Y8
	4/1/2020	4.250	515,000	10/1/2017	6500134Z5
	4/1/2020	5.000	19,005,000	10/1/2017	6500135A9
	4/1/2021	4.250	1,200,000	10/1/2017	6500135B7
	4/1/2021	5.000	19,295,000	10/1/2017	6500135C5
	4/1/2022	4.250	930,000	10/1/2017	6500135D3
	4/1/2022	5.000	20,580,000	10/1/2017	6500135E1
	4/1/2023	4.250	5,480,000	10/1/2017	6500135F8
	4/1/2023	5.000	17,100,000	10/1/2017	6500135G6
	4/1/2024	4.500	3,045,000	10/1/2017	6500135H4
	4/1/2024	5.000	20,620,000	10/1/2017	6500135J0
	4/1/2025*	5.000	24,835,000	10/1/2017	6500135L5
	4/1/2026*	5.000	26,075,000	10/1/2017	6500135L5
Term Bond due	4/1/2027	5.000	22,180,000	10/1/2017	6500135L5
Serial Bond	4/1/2027	4.500	5,200,000	10/1/2017	6500135K7

* Sinking fund payment.

	Maturity Date	Interest Rate	Principal Amount	Anticipated Call Date	CUSIP Number
New York State Thruway Authority					
Second General Highway and Bridge Trust Fund Bonds, Series 2008A					
Serial Bonds	4/1/2017	4.250%	$16,670,000	4/1/2017	650014LT8
	4/1/2019	4.400	19,690,000	4/1/2018	650014LV3
	4/1/2020	4.625	20,560,000	4/1/2018	650014LW1
	4/1/2021	4.700	11,890,000	4/1/2018	650014LX9
	4/1/2021	5.000	9,620,000	4/1/2018	650014MP5
	4/1/2022	4.800	9,705,000	4/1/2018	650014LY7
	4/1/2022	5.000	12,845,000	4/1/2018	650014MQ3
	4/1/2023	5.000	23,655,000	4/1/2018	650014LZ4
	4/1/2024	5.000	24,840,000	4/1/2018	650014MA8
	4/1/2025	5.000	26,080,000	4/1/2018	650014MB6
	4/1/2026	5.000	27,385,000	4/1/2018	650014MC4
	4/1/2027	5.000	28,755,000	4/1/2018	650014MD2
	4/1/2028	5.000	30,190,000	4/1/2018	650014ME0
New York State Thruway Authority					
Second General Highway and Bridge Trust Fund Bonds, Series 2008B					
Serial Bonds	4/1/2017	5.000%	$15,155,000	4/1/2017	650014NU3
	4/1/2018	5.250	1,530,000	4/1/2018	650014NY5
	4/1/2019	5.000	16,745,000	10/1/2018	650014PA5
	4/1/2020	5.000	17,580,000	10/1/2018	650014PB3
	4/1/2021	5.000	18,460,000	10/1/2018	650014PC1
	4/1/2022	5.000	19,385,000	10/1/2018	650014PD9
	4/1/2023	4.375	7,815,000	10/1/2018	650014PE7
	4/1/2023	5.000	12,540,000	10/1/2018	650014PF4
	4/1/2024	5.000	21,320,000	10/1/2018	650014PG2
	4/1/2025	5.000	22,390,000	10/1/2018	650014PH0
	4/1/2026	5.000	23,505,000	10/1/2018	650014PJ6
	4/1/2027	5.000	24,680,000	10/1/2018	650014PK3
	4/1/2028	4.625	7,080,000	10/1/2018	650014PL1
	4/1/2028	5.000	18,835,000	10/1/2018	650014PM9

* Sinking fund payment.

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