

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Hawkins Delafield & Wood LLP and Pearlman & Miranda LLC, Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018A Senior 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 2018A Senior Bonds is not treated as a preference item in calculating the alternative minimum tax imposed 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 for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Co-Bond Counsel, under existing statutes, interest on the Series 2018A Senior 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 and the City of Yonkers). See “PART 9—TAX MATTERS.”

\$256,045,000

**NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A Public Benefit Corporation of the State of New York)
Series 2018A Refunding Bonds (Senior Lien)**

Dated: Date of Delivery

Due: April 1, as shown on the inside cover

The Series 2018A Senior Bonds will be issued as registered bonds. The Series 2018A Senior Bonds will be issued under a book-entry-only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series 2018A Senior Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2018A Senior Bonds purchased. The Series 2018A Senior Bonds will be issued in denominations of \$5,000 or integral multiples thereof. Interest on the Series 2018A Senior Bonds will be payable on October 1, 2018 and semi-annually thereafter on each April 1 and October 1. The Series 2018A Senior Bonds are not subject to redemption prior to maturity.

The Series 2018A Senior Bonds are being issued to refund certain outstanding bonds of the Corporation as more fully described herein. The Series 2018A Senior Bonds are general obligations of the Corporation, payable from revenues derived from certain sales and compensating use taxes imposed by the State of New York on a statewide basis and required by law to be deposited in the Local Government Assistance Tax Fund (the “Tax Fund”) at the rate of one percent and will be secured by a Capital Reserve Fund established by the Resolution and certain other funds and accounts under the Resolution, all as more fully described herein.

Payments from the Tax Fund to make payments on the Series 2018A Senior Bonds are subject to appropriation for such purpose by the State Legislature. The State is not bound or obligated to make such appropriation or continue the imposition of the sales and use taxes required to be deposited to the Tax Fund. The Corporation is a public benefit corporation of the State and has no taxing power. The Series 2018A Senior Bonds do not constitute an enforceable obligation or a debt of the State or any unit of local government of the State, and neither the faith and credit nor the taxing power of the State or any such unit of local government is pledged to the payment of the principal or Redemption Price of or interest on the Series 2018A Senior Bonds.

The Series 2018A Senior Bonds are offered when, as and if issued by the Corporation and received by the Initial Purchaser and subject to approval of legality by Hawkins Delafield & Wood LLP and Pearlman & Miranda LLC, Co-Bond Counsel to the Corporation. Certain legal matters will be passed on for the Corporation by the Attorney General of the State of New York, General Counsel to the Corporation. Public Resources Advisory Group is acting as Financial Advisor to the Corporation. The Series 2018A Senior Bonds will be available for delivery through the facilities of DTC on or about March 22, 2018.

Dated: March 15, 2018

\$256,045,000
NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A Public Benefit Corporation of the State of New York)
Series 2018A Refunding Bonds (Senior Lien)

Due (April 1)	Principal Amount	Interest Rate	Yield	CUSIP* Number
2019	\$113,625,000	5.000%	1.410%	649876Z77
2020	\$108,980,000	5.000%	1.520%	649876Z85
2021	\$ 33,440,000	5.000%	1.640%	649876Z93

* Copyright, American Bankers Association (“ABA”). CUSIP numbers have been assigned by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc., and are included solely for the convenience of the Series 2018A Senior Bonds Bondholders. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2018A Senior Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018A Senior Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2018A Senior Bonds.

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 2018A Senior Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Corporation, by the State of New York and by other sources which are believed to be reliable by the Corporation, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Initial Purchaser. 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 of the State of New York since the date hereof. 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.

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**OFFICIAL STATEMENT
RELATING TO
\$256,045,000
NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
(A Public Benefit Corporation of the State of New York)
Series 2018A Refunding Bonds (Senior Lien)**

PART 1—INTRODUCTION

This Official Statement of the New York Local Government Assistance Corporation (the “Corporation” or “LGAC”) is provided for the purpose of setting forth information concerning the Corporation in connection with the sale of its \$256,045,000 Series 2018A Senior Lien Refunding Bonds (the “Series 2018A Senior Bonds”). The Senior Bonds (defined below) and the Subordinate Bonds (defined below) are referred to collectively as the “Bonds.”

Capitalized terms used herein have the meanings set forth in the Resolutions (as hereinafter defined) except as otherwise set forth herein.

The Corporation

The Corporation is a corporate governmental agency constituting a public benefit corporation created by Chapter 220 of the Laws of 1990, as amended (the “Act”), for the purpose of making certain assistance payments to local governments in the amounts appropriated by the State of New York (the “State”) and in the manner provided by, and subject to the limitations of, the Act. The Corporation is administered by seven directors, two of whom, the State Comptroller (the “Comptroller”) and the Director of the Budget of the State (the “Director of the Budget”), serve *ex officio* and five of whom are appointees of the Governor. The Chairperson of the Corporation (the “Chairperson”) is designated by the Governor. The Corporation is empowered by the Act to borrow money and issue its bonds and notes to achieve its corporate purposes in an amount not in excess of \$4.7 billion (exclusive of certain refunding bonds) plus amounts required to fund the capital reserve fund, to provide for certain capitalized interest and to pay costs of issuance.

The Bonds

The Series 2018A Senior Bonds are to be issued pursuant to the Act, the General Bond Resolution adopted February 19, 1991, as amended (the “General Senior Bond Resolution”) and the Series 2018A Resolution Authorizing Up To \$400,000,000 of Bonds adopted March 1, 2018 (the “Series 2018A Resolution”) (collectively, the “Senior Resolution”). The Bank of New York Mellon is the Trustee under the General Senior Bond Resolution. Upon issuance of the Series 2018A Senior Bonds, the Corporation will have \$456,555,000⁽¹⁾ aggregate principal amount of bonds Outstanding under the Senior Resolution (the “Outstanding Senior Bonds”). A summary of certain provisions of the Senior Resolution, together with certain defined terms used therein and in this Official Statement, is set forth in Appendix A-1 hereto. The Senior Resolution constitutes a contract between the Corporation and its Senior Bondholders and contains certain covenants and conditions for the issuance of additional bonds (the “Additional Senior Bonds,” and together with the Outstanding Senior Bonds and the Series 2018A Senior Bonds, the “Senior Bonds”). Subject to compliance with the Senior Resolution, the Corporation may issue Additional Senior Bonds on a parity with the Outstanding Senior Bonds and the Series 2018A Senior Bonds solely for refunding purposes. See “Additional Bonds” below in Part 4 for a discussion of Additional Senior Bonds.

The Corporation has \$913,025,000.00 aggregate principal amount of outstanding bonds heretofore issued (the “Outstanding Subordinate Bonds”) pursuant to the Act, the General Subordinate Lien Bond

⁽¹⁾ Excludes Senior Bonds to be refunded by the Series 2018A Senior Bonds.

Resolution adopted December 30, 2002 (the “General Subordinate Bond Resolution”) and applicable Series Resolutions (collectively, the “Subordinate Resolution”). The Senior Resolution and the Subordinate Resolution are referred to collectively as the “Resolutions.” A summary of certain provisions of the Subordinate Resolution, together with certain defined terms used therein and in this Official Statement, is set forth in Appendix A-2 hereto. The Subordinate Resolution constitutes a contract between the Corporation and its Subordinate Bondholders and contains certain covenants and conditions for the issuance of additional bonds (the “Additional Subordinate Bonds,” and together with the Outstanding Subordinate Bonds, the “Subordinate Bonds”). Subject to compliance with the Subordinate Resolution, the Corporation may issue Additional Subordinate Bonds solely for refunding purposes. See “Additional Bonds” below in Part 4 for a discussion of Additional Subordinate Bonds.

The Series 2018A Senior Bonds are being issued to refund certain Outstanding Senior Bonds, as more fully described herein. Contemporaneously with the issuance of the Series 2018A Senior Bonds, the Corporation will terminate an interest rate swap agreement associated with certain of the Outstanding Senior Bonds expected to be refunded. See “Plan of Refunding” below in Part 2. If the Series 2018A Senior Bonds are not issued for any reason such swap agreement will remain in effect.

The Series 2018A Senior Bonds will be general obligations of the Corporation, payable from payments received by the Corporation from revenues derived from certain sales and compensating use taxes imposed by the State on a statewide basis pursuant to Sections 1105 and 1110 of the Tax Law (the “Sales Tax”) and required to be deposited in the Local Government Assistance Tax Fund created by the Act (the “Tax Fund”) at the rate of one percent, less amounts which the Commissioner of Taxation and Finance of the State may determine to be necessary for refunds (the “1% Sales Tax”).

The Senior Resolution establishes a Debt Service Fund (the “Senior Debt Service Fund”), an Operating Fund (the “Senior Operating Fund”), a Rebate Fund (the “Senior Rebate Fund”), a Capital Reserve Fund (the “Senior Capital Reserve Fund”) and a Subordinated Payment Fund (the “Senior Subordinated Payment Fund”). The Senior Resolution provides that if the amount of any payment received from the State is less than the amount certified by the Chairman, then the payment is to be applied first to the Senior Rebate Fund, second to the Senior Debt Service Fund, third to the Senior Capital Reserve Fund, fourth to the Operating Fund and fifth to the Senior Subordinated Payment Fund. The Senior Resolution further provides that no moneys shall be deposited into the Senior Subordinated Payment Fund unless the Comptroller, in his sole and exclusive judgment, which judgment shall be reasonable, makes a determination in writing to the Corporation that upon such deposit, amounts to be derived from the 1% Sales Tax will be sufficient to meet all requirements of the Senior Debt Service Fund and Senior Capital Reserve Fund for the Senior Bonds during the period in which the set aside payment requirements for each such Fund are applicable pursuant to paragraph (b) of subdivision 5 of Section 92-r of the State Finance Law. Amounts in the Senior Subordinated Payment Fund may be used to pay “Other Obligations” as defined in the Senior Resolution. The Subordinate Bonds constitute “Other Obligations” under the Senior Resolution that are payable from amounts on deposit in such Senior Subordinated Payment Fund. Amounts transferred from the Senior Subordinated Payment Fund into the Funds held under the Subordinate Resolution will be required to be applied pursuant to such Subordinate Resolution first to the Rebate Fund (the “Subordinate Rebate Fund”), second to the Debt Service Fund (the “Subordinate Debt Service Fund”), third to the Capital Reserve Fund (the “Subordinate Capital Reserve Fund”), fourth to the Operating Fund (the “Subordinate Operating Fund”) and fifth to the Subordinated Payment Fund (the “Subordinate Subordinated Payment Fund”) established under the Subordinate Resolution. “Other Obligations” under the Senior Resolution also include amounts to be paid to letter of credit providers for Variable Interest Rate Senior Bonds to reimburse them (for draws to pay the purchase price of unremarketed bonds) in advance of the regularly scheduled amortization of such Senior Bonds. Such obligations will be payable on a parity with the Subordinate Bonds. Swap payments owed to counterparties will be payable from the Subordinate Subordinated Payment Fund established under the Subordinate Resolution. So long as there are Senior Bonds Outstanding, the Operating Fund will be held under the Senior Resolution and the Operating Fund established under the Subordinate Resolution will not be in effect.

The Corporation has no taxing power. The Series 2018A Bonds do not constitute an enforceable obligation or a debt of the State or any unit of local government, and neither the State nor any unit of local government shall be liable thereon. Neither the faith and credit nor taxing power of the State or any unit of local government is pledged to the payment of the principal or Redemption Price of or interest on the Series 2018A Bonds.

The Capital Reserve Funds

The Senior Bonds are secured by amounts on deposit in, and earned on investment of, the Senior Capital Reserve Fund established pursuant to the Act in the Senior Resolution. The Senior Resolution establishes the requirement of the Senior Capital Reserve Fund (the “Senior Capital Reserve Fund Requirement”), as of any date of calculation, as an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest on all Senior Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding fiscal year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months’ interest and (ii) that interest on Variable Interest Rate Senior Bonds is calculated as if such Variable Interest Rate Senior Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Senior Bonds or under the related Reimbursement Obligation, provided that the Senior Capital Reserve Fund Requirement shall at no time exceed the sum of the Senior Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to 10% of the proceeds (as such term is defined under Section 148(d) of the Code) from the sale of such Series. The Senior Capital Reserve Fund is currently funded at the Senior Capital Reserve Fund Requirement with a municipal bond debt service reserve fund policy, investments and cash. It is a condition to the issuance of Additional Senior Bonds that the Senior Capital Reserve Fund shall, upon the issuance of Additional Senior Bonds, be funded at the Senior Capital Reserve Fund Requirement. If there is a deficiency in the Senior Capital Reserve Fund, the Chairperson is required immediately to certify the amount needed to restore the Senior Capital Reserve Fund to the Senior Capital Reserve Fund Requirement, to the extent that the deficiency resulted from a failure by the State to pay any amounts previously certified by the Chairperson. Following the issuance of the Series 2018A Senior Bonds, the Senior Capital Reserve Fund Requirement will be \$191,036,531.25.

The Subordinate Bonds are secured by amounts on deposit in, and earned on investment of, the Subordinate Capital Reserve Fund established pursuant to the Act in the Subordinate Resolution. The Subordinate Resolution establishes the requirement of the Subordinate Capital Reserve Fund (the “Subordinate Capital Reserve Fund Requirement”), as of any date of calculation, as an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Subordinate Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months’ interest and (ii) that with respect to Variable Interest Rate Subordinate Bonds, interest on such Variable Interest Rate Subordinate Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes. The Subordinate Capital Reserve Fund is currently funded at the Subordinate Capital Reserve Fund Requirement with investments and cash. It is a condition to the issuance of Additional Subordinate Bonds that the Subordinate Capital Reserve Fund shall, upon the issuance of Additional Subordinate Bonds, be funded at the Subordinate Capital Reserve Fund Requirement. If there is a deficiency in the Subordinate Capital Reserve Fund, the Chairperson is required immediately to certify the amount needed to restore the Subordinate Capital Reserve Fund to the Subordinate Capital Reserve Fund Requirement, to the extent that the deficiency resulted from a failure by the State to pay any amounts previously certified by the Chairperson. The Subordinate Capital Reserve Fund Requirement is \$90,603,765.59.

The Senior Capital Reserve Fund secures only the Senior Bonds and the Subordinate Capital Reserve Fund secures only the Subordinate Bonds.

1% Sales Tax

Upon receipt, moneys from the 1% Sales Tax are required to be deposited in the Tax Fund, held jointly by the Commissioner of Taxation and Finance and the Comptroller separate and apart from all other moneys of the State. Moneys in the Tax Fund are required by the Act to be paid by the Comptroller to the Trustee for the Bonds, at the times and in the amounts certified by the Chairperson of the Corporation, subject to annual appropriation by the State Legislature.

The Act provides procedures for impounding moneys from the 1% Sales Tax in the Tax Fund which are designed to assure that sufficient moneys will be on deposit in the Tax Fund to meet the Corporation's annual cash requirements, as certified by the Chairperson. Based upon estimates provided by the Director of the Budget, the Comptroller is required to prepare a schedule of anticipated monthly receipts from the 1% Sales Tax and to begin to impound 1% Sales Tax moneys on or before the date when a payment due the Corporation for a debt service payment on the Bonds first equals 95% of remaining estimated 1% Sales Tax receipts, or by the 15th day preceding that due date, whichever is earlier. Subject to the annual appropriation referred to above, the Comptroller is required to pay, directly into the Senior Debt Service Fund held under the Senior Resolution, the amount required for debt service on the Bonds, at least five days prior to a payment date, from amounts impounded in the Tax Fund. If those amounts are insufficient, the Comptroller is required by the Act, without further appropriation, to transfer sufficient money from the General Fund of the State to the Tax Fund to pay the amount required for debt service. The Subordinate Bonds are payable from the 1% Sales Tax and any other revenues deposited pursuant to the Senior Resolution that are transferred to the Subordinated Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the Bonds.

The Corporation has covenanted pursuant to the Resolutions and the Act to deliver and amend the Chairperson's certificate from time to time, and upon certain events, in order to assure that the State's appropriation, impoundment and payment procedures accurately reflect the debt service requirements of the Corporation. From time to time in the past, the Chairperson's certificate has been amended and delivered pursuant to the Resolutions and the Act.

Under the Act, no moneys on deposit in the Tax Fund may be disbursed from that fund until an appropriation has been made to the Corporation sufficient to pay the amounts certified by the Chairperson of the Corporation as previously described. If and to the extent that such an appropriation has been made, and subject to the impoundment procedures just described, excess moneys on deposit in the Tax Fund may be transferred to the General Fund to be applied to other purposes of the State. If, however, any payment for debt service is not made to the Corporation when due, then all moneys on deposit in, or deposited to, the Tax Fund are required by the Act to be retained in the Tax Fund, even if an appropriation has been made, until all required payments to the Corporation are current.

Interest Rate Swap Agreements

The Corporation has five interest rate swap agreements outstanding, in a notional amount of \$453,640,000, in connection with \$454,240,000 aggregate principal amount of outstanding Series 2003A Variable Interest Rate Subordinate Lien Refunding Bonds (the "Series 2003A Variable Rate Subordinate Bonds"), Series 2008B Variable Interest Rate Refunding Bonds (Senior Lien) (the "Series 2008B Variable Rate Senior Bonds") and Series 2008B Variable Interest Rate Subordinate Lien Refunding Bonds (the "Series 2008B Variable Rate Subordinate Bonds"). Pursuant to such agreements, the Corporation is required to make payments based on fixed rates to the swap providers and is to receive payments based on a variable rate from the swap providers. Under certain circumstances, the agreements may be terminated by the Corporation or by the applicable swap provider, at which time the Corporation may be required to make a payment to the swap provider. Swap payments are payable only from the Subordinate Subordinated Payment Fund under the Subordinate Resolution. For more information about the interest rate swap agreements, see Note 4 of the financial statements of the Corporation incorporated herein by reference. The Corporation will terminate an

interest rate swap agreement related to a portion of the Series 2008B Variable Rate Senior Bonds in connection with its issuance of the Series 2018A Senior Bonds and the refunding of the Series 2008B Variable Rate Senior Bonds. See “PART 2—NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION—Plan of Refunding” below.

Additional Bonds and Estimated Debt Service Coverage

The Senior Resolution provides that no Additional Senior Bonds (other than Additional Senior Bonds issued for refunding purposes) may be issued on a parity with Outstanding Senior Bonds unless, among other documents, there is filed with the Trustee a certificate of an Authorized Officer of the Corporation stating that the amount certified by the Commissioner of Taxation and Finance for the collection of the 1% Sales Tax for twelve consecutive calendar months ended not more than two months prior to the date of the certificate (less the operating expenses of the Corporation for the current fiscal year) is at least two times the maximum annual debt service on the Outstanding Senior Bonds issued under the Senior Resolution (including the particular series of such Additional Senior Bonds then proposed to be issued). The Senior Resolution permits the Corporation to issue Variable Interest Rate Senior Bonds to be paid from the Senior Debt Service Fund and the Senior Capital Reserve Fund on a parity with the Outstanding Senior Bonds, but only with respect to scheduled amortization payments and interest (including payments of any related Reimbursement Obligation). The Senior Resolution also permits the Corporation to issue Notes and Other Obligations (as defined thereunder), to provide for mandatory purchase or redemption provisions other than scheduled amortization payments, and to enter into Swaps and other financial instruments, but requires payments thereon to be made only from the Senior Subordinated Payment Fund and under terms and conditions that are certified by the Corporation not to materially adversely affect the ability of the Corporation to pay debt service on the Outstanding Senior Bonds. Additional Senior Bonds may be issued for refunding purposes without meeting the foregoing coverage test, provided that debt service is not increased in any year after giving effect to the refunding. Subordinate Bonds constitute Other Obligations under the Senior Resolution.

The Subordinate Resolution provides that no Additional Subordinate Bonds (other than Additional Subordinate Bonds issued for refunding purposes) may be issued on a parity with Outstanding Subordinate Bonds unless, among other documents, there is filed with the Trustee a certificate of an Authorized Officer of the Corporation stating that the amount certified by the Commissioner of Taxation and Finance for the collection of the 1% Sales Tax for twelve consecutive calendar months ended not more than two months prior to the date of the certificate (less the operating expenses of the Corporation for the current fiscal year) is at least two times the maximum annual debt service on the Outstanding Subordinate Bonds issued under the Subordinate Resolution (including the particular series of such Additional Subordinate Bonds then proposed to be issued) and the Outstanding Senior Bonds issued under the Senior Resolution. The Subordinate Resolution permits the Corporation to issue Variable Interest Rate Subordinate Bonds to be paid from the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund on a parity with the Outstanding Subordinate Bonds, but only with respect to scheduled amortization payments and interest (including payments of any related Reimbursement Obligation). The Subordinate Resolution also permits the Corporation to issue Notes and Other Obligations (as defined thereunder), to provide for mandatory purchase or redemption provisions other than scheduled amortization payments, and to enter into Swaps and other financial instruments, but requires payments thereon to be made only from the Subordinate Subordinated Payment Fund and under terms and conditions that are certified by the Corporation not to materially adversely affect the ability of the Corporation to pay debt service on the Outstanding Subordinate Bonds and Senior Bonds. Additional Subordinate Bonds may be issued for refunding purposes without meeting the foregoing coverage test, provided that debt service is not increased in any year after giving effect to the refunding.

If Sales Tax receipts continue at the same level as received during the 2016-2017 fiscal year of the State (See “PART 3—THE SALES TAX—Sales Tax Receipts”), debt service coverage after the issuance of the Series 2018A Senior Bonds for the maximum annual debt service on the Outstanding Bonds would be 8.7 times, assuming the following: (i) interest on the Corporation’s outstanding \$178.4 million Series 2003A Variable Rate Subordinate Bonds and \$188.7 million Series 2008B Variable Rate Subordinate Bonds, for

which interest rate exchange agreements were entered, is 4% per annum (which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds) and (ii) principal of and interest on such Bonds are paid as regularly scheduled. See “Estimated Debt Service Coverage” below in Part 3 for a more detailed explanation of estimated debt service coverage.

The Corporation reached its maximum authorization of \$4.7 billion during the State’s 1995-96 fiscal year, and consequently no Additional Bonds will be issued except for refunding purposes, as described below under “PART 4—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS—Additional Bonds.”

Certain Constitutional Requirements

Under the State Constitution, the State is permitted to amend, modify or otherwise alter the Sales Tax and cannot be bound or obligated to continue the imposition of the 1% Sales Tax and may repeal the provisions thereof under the Act benefiting the Corporation. Further, under the State Constitution, the State may appropriate at least annually to the Corporation from the Tax Fund the amounts certified in the Chairperson’s Certificate, but the State cannot be bound or obligated to make such appropriations.

The Corporation expects, however, that the State will make such annual appropriations as long as the Corporation’s Bonds are outstanding. Under existing law, if no such appropriation is made, substantial portions of the 1% Sales Tax not needed by the Corporation for the payment of its debt service would be set aside in the Tax Fund and thus remain unavailable to the State for its other purposes. In addition, the Corporation believes that any failure by the State to make annual appropriations as expected would have a serious impact on the ability of the State and its authorities and public benefit corporations (“Authorities”) to raise funds in the public credit markets.

State Fiscal Reform Program

The Corporation was created by Chapter 220 of the Law of 1990 as part of a fiscal reform program of the State aimed at eliminating the State’s practice of financing substantial amounts of local assistance payments through its annual seasonal borrowing during the first quarter of the State fiscal year (the “Spring Borrowing”). The Corporation is empowered, among other things, to issue Bonds and Notes for the purpose of financing local assistance payments in a manner that would provide funds to local governments earlier in their respective fiscal years than had been the State’s traditional practice. The State has not conducted a Spring Borrowing since the 1993-94 fiscal year. See “PART 7—LIMITATION ON ISSUANCE OF CERTAIN TAX AND REVENUE ANTICIPATION NOTES BY THE STATE” below for a description of the pledge and agreement of the State to limit the issuance of certain tax and revenue anticipation notes. See the section entitled “Local Government Assistance Corporation” in Appendix B of this Official Statement for a more detailed description of the State’s fiscal reform program.

Information Concerning the State of New York

The Corporation believes that financial developments with respect to the State may affect the market for or market prices of the Bonds of the Corporation and the source of payment therefor. The factors affecting the State’s financial condition are complex. Appendix B contains a summary of State financial operations and other information relating to the State’s financial condition, based entirely on material supplied by the State.

PART 2—NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION

Purpose and Operations

The Corporation is a corporate governmental agency and public benefit corporation of the State created by the Act for the purpose of providing certain assistance payments to units of local government within

the State. To fulfill that purpose, the Corporation was given the authority, among other things, to issue and sell its bonds and notes to fund local assistance payments for elementary and secondary education, community college aid and tuition assistance programs, payment of the non-Federal share of local Medicaid costs and other local assistance programs, including revenue sharing assistance, aid for health and the improvement of environmental quality, housing initiatives, mental health and drug abuse programs, mass transportation and highway and bridge programs. However, the Act provides that the Corporation shall not issue its bonds or notes for those purposes unless the State Legislature shall have enacted an appropriation or appropriations providing for the amount and manner of such payments. Pursuant to the by-laws of the Corporation, the fiscal year of the Corporation currently begins April 1 and ends March 31. In the Resolutions, the Corporation has covenanted to cause its fiscal year to begin and end on the same dates as the fiscal year of the State, including any fiscal year of the State that may be shorter or longer than 12 months.

Directors and Management

The Corporation is administered by seven directors, consisting of the Comptroller and the Director of the Budget of the State of New York, both of whom serve ex officio, and five directors who are appointed by the Governor. There are currently three vacant director positions. Each of the appointed directors was appointed by a prior Governor and continues to serve until a successor is chosen and qualified. A unanimous vote of the directors serving in office is necessary to authorize the issuance of bonds or notes of the Corporation or to authorize any amendatory or supplemental resolution of the Corporation relating to such issuance.

The current directors and officers of the Corporation are as follows:

Robert F. Mujica Jr., *Chairperson and Director.* Mr. Mujica was appointed Budget Director and began serving on January 14, 2016, at which time he also began serving as Director ex officio and as Chairperson of the Corporation as appointed by Governor Andrew M. Cuomo. As Budget Director, he is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio. Prior to his current appointment, Mr. Mujica was Chief of Staff to the Temporary President and Majority Leader of the Senate and concurrently served as the Secretary to the Senate Finance Committee. For two decades, Mr. Mujica advised various elected and other government officials in New York on State budget, fiscal and policy issues. Mr. Mujica received his B.A. degree in Sociology from Brooklyn College at the City University of New York. Mr. Mujica currently serves on various public boards and is a Trustee of the City University of New York. He received his Master's degree in Government Administration (M.G.A.) from the University of Pennsylvania and holds a Juris Doctorate (J.D.) from Albany Law School.

Vice-Chairperson and Director. Vacant.

Thomas P. DiNapoli, *Director.* Comptroller DiNapoli is the Comptroller of the State of New York and he serves as Director ex officio. Comptroller DiNapoli was sworn into office February 7, 2007. His current term of office expires December 31, 2018. The Comptroller is the State's chief auditor and chief fiscal officer. Comptroller DiNapoli is responsible for auditing the disbursements, receipts, and accounts of the State, as well as for auditing State departments, agencies, authorities, and municipalities. The Comptroller also manages the State's debt and most of its investments, as well as the State's Common Retirement Fund. Comptroller DiNapoli had served in the New York State Assembly for 20 years prior to taking his current office. Comptroller DiNapoli chaired the Assembly Local Governments Committee, where he worked closely with local government officials throughout the State to help to tackle the many fiscal challenges localities face each year. Comptroller DiNapoli also served 15 years on the Assembly Ways and Means Committee, where he had extensive engagement on State budget making, budget reform, debt reform and other vital statewide fiscal issues. Comptroller DiNapoli got his start in elected leadership in 1972, when at the age of 18, he was

elected to his local board of education. In addition to his distinguished career in public service, Comptroller DiNapoli has been an adjunct professor at Hofstra University and Long Island University – C.W. Post College.

Kevin F. Murray, Director. Mr. Murray was appointed a Director of the Corporation on July 20, 2007 by then Governor Eliot Spitzer. Mr. Murray is retired from State service. From 2011 through January 2015, he served as the Executive Deputy Comptroller in the Office of the State Comptroller and was responsible for oversight and management of the New York State and Local Retirement System and the Common Retirement Fund. Prior to that, he had been Deputy Comptroller for Retirement Services. From 2002 to 2007, Mr. Murray was the Executive Director of the Retired Public Employees Association (“RPEA”). He was employed in the State Division of the Budget from 1970 to 1984 where he advanced to the position of Assistant Chief Budget Examiner in the General Government Operations Unit. Thereafter, he was a Divisional Vice President of Empire Blue Cross and Blue Shield from 1984 to 1987. He returned to State service in 1987 as Deputy Commissioner for Tax Policy Analysis in the Department of Taxation and Finance. For eleven years, from 1988 through 1999, he served as the Tax Department’s Executive Deputy Commissioner. He received a bachelor’s degree from Fordham University and pursued additional studies in Political Science at Indiana University.

Marc V. Shaw, Director. Mr. Shaw was appointed a Director of the Corporation on May 21, 2007. He is currently the Senior Vice Chancellor for Budget, Finance and Financial Policy at CUNY, overseeing and managing the finances of CUNY’s 23 colleges and professional schools and the University’s central administration. Mr. Shaw served as a Senior Advisor to the Governor on Metropolitan Transportation Authority (“MTA”) finances and fiscal affairs during 2009. From 2006 to 2008, he was Executive Vice President for Strategic Planning at Extell Development Company. From 2002 to 2006, he was the First Deputy Mayor and Deputy Mayor for Operations to Mayor Bloomberg. In 1996 Governor Pataki appointed him to serve as the Executive Director and Chief Operating Officer for the MTA. Mr. Shaw has served as the Budget Director for the New York City (the “City”) Office of Management and Budget, the Commissioner for the New York City Department of Finance and as the Director of Finance for the New York City Council. Mr. Shaw also worked for the New York State Senate Finance Committee. He has been an adjunct assistant professor of New York University Public Services at the Robert F. Wagner Graduate School of Public Services and an adjunct professor at the Columbia University School of International and Public Affairs. He graduated magna cum laude from the State University College at Buffalo and received his M.A. degree from the State University of New York at Buffalo.

Director. Vacant.

Director. Vacant.

Eric T. Schneiderman, General Counsel. Mr. Schneiderman is the Attorney General of the State of New York and serves as general counsel ex officio. The Attorney General, the chief legal officer of the State, is elected on a statewide basis and has charge and control of the State’s legal affairs. He prosecutes and defends all actions and proceedings for and against the State and its departments, defends the constitutionality of the acts of the Legislature and serves as bond counsel on bond sales by the State. Mr. Schneiderman was elected Attorney General in November 2010. His current term of office expires December 31, 2018.

Dominic Colafati, Co-Executive Director. Mr. Colafati was appointed Co-Executive Director of the Corporation on March 20, 2015. He is the unit head of the Expenditure/Debt unit for the New York State Division of the Budget (“DOB”), where he leads teams responsible for developing and managing the State’s Financial Plan and capital market activities. Before joining DOB, Mr. Colafati was the research manager for the Connecticut Conference of Municipalities, a non-profit association representing cities and towns. He holds a degree from the Maxwell School at Syracuse University and is a member of the Government Finance Officers Association and the Governmental Accounting Standards Board Advisory Council.

Robert B. Ward, Co-Executive Director. Mr. Ward was appointed Co-Executive Director of the Corporation on June 25, 2012. Mr. Ward is New York State Deputy Comptroller for Budget and Policy Analysis. He previously was Deputy Director of the Nelson A. Rockefeller Institute of Government, the public-policy research arm of the State University of New York. Earlier in his career he was assistant to the Chairman of the Assembly Ways and Means Committee, director of research for the Public Policy Institute of New York State, and a newspaper reporter and editor. He is a graduate of Syracuse University.

Joseph Conroy, Treasurer. Mr. Conroy was appointed Treasurer of the Corporation on March 21, 2017. Mr. Conroy has been with the Office of the State Comptroller (“OSC”) since 2017. Currently, he serves as Assistant Comptroller for Debt Policy and Management in the Office of Budget and Policy Analysis. Prior to joining OSC, Mr. Conroy was a Chief Budget Examiner in the Division of Budget, responsible for the management of the unit that developed, negotiated and implemented budgets for education. He also previously served as the Director of Education Finance at the New York State Education Department and in a variety of progressively responsible positions in the Division of Budget since 1997. Mr. Conroy received a Bachelor of Arts degree in Government from The College of William and Mary and a Masters Degree in Public Administration from the Rockefeller College of Public Affairs and Policy, University of Albany.

Emily Jamieson, Secretary. Ms. Jamieson was appointed Secretary of the Corporation on March 1, 2018. Ms. Jamieson is an Associate Budget Examiner in the Expenditure/Debt unit for the New York State Division of the Budget, focusing on capital and debt. She has held a variety of progressively responsible positions at DOB in both the Expenditure/Debt and Performance Management units. Ms. Jamieson received a Bachelor of Science degree from the Massachusetts Institute of Technology.

Kristee Iacobucci, Internal Control Officer. Ms. Iacobucci was appointed Internal Control Officer of the Corporation on July 1, 2009. Ms. Iacobucci has worked for OSC since 1992 and is currently an Assistant Comptroller. Prior to this, she was the Director of the Pension Integrity Bureau in the Division of Retirement Services, a Program Research Specialist in the Office of Budget and Policy Analysis and an Associate Auditor in the Division of State and Local Government Accountability. Throughout her career, Ms. Iacobucci has been responsible for conducting internal controls assessments and auditing internal controls within the Comptroller’s Office and for other governmental entities. She received a Bachelor of Business Administration in Accounting from Siena College and is a Certified Internal Auditor.

In addition, pursuant to the Act, the secretary to the Finance Committee of the State Senate and the secretary to the Ways and Means Committee of the State Assembly are non-voting representatives.

Plan of Finance

As a condition precedent to the issuance of bonds or notes (excluding refunding bonds), the Act requires that the Legislature shall have enacted an appropriation or appropriations for the amount and manner of payments for the purpose of making local assistance payments within the State. Pursuant to legislative authorization, the Corporation has previously issued Senior Bonds, the net proceeds of \$4.7 billion of which have been used for the purpose of financing local assistance payments. The Corporation has completed such financing assistance program.

The Corporation regularly reviews the interest rates borne by Outstanding Bonds and the redemption provisions thereof, in light of current market conditions and the restrictions of federal tax law, with a view to reducing the aggregate debt service expenses by appropriately timed and sized refundings.

Plan of Refunding

The Series 2018A Senior Bonds, together with other funds available under the Resolution, are being issued to (i) provide funds to current refund all or a portion of the Outstanding Series 2007A Refunding Bonds (Senior Lien), the Series 2008A Refunding Bonds (Senior Lien) and the Series 2008B Variable Rate Senior

Bonds of the Corporation, as described in Appendix D hereto (the “Refunded Bonds”); (ii) fund termination payments relating to an interest rate swap agreement associated with the 2008B Variable Rate Senior Bonds; and (iii) pay the costs related to the issuance of the Series 2018A Senior Bonds.

The Refunded Bonds, the principal amount thereof, the maturity date, the Redemption Price and the respective dates on which the Refunded Bonds shall be redeemed from funds in the irrevocable escrow fund established under the Escrow Agreement (as defined below) are as shown in Appendix D hereto.

A portion of the proceeds of the Series 2018A Senior Bonds will be deposited with the Trustee pursuant to the Escrow Deposit Agreement (the “Escrow Agreement”) to be entered into, at or prior to the issuance of the Series 2018A Senior Bonds, between the Corporation and the Trustee. Such proceeds, together with any other amounts held by the Trustee under the Escrow Agreement, will be invested in direct obligations of, or obligations guaranteed by, the United States of America (“Government Obligations”) the principal of and interest on which when due will be sufficient, together with any other moneys deposited with the Trustee under the Escrow Agreement, to refund the Refunded Bonds at the applicable Redemption Price on the respective dates of maturity or redemption, together with interest to become due on such Bonds on or prior to their respective maturity or redemption dates. The Government Obligations and moneys held by the Trustee pursuant to the Escrow Agreement will be held in irrevocable escrow accounts established under the Escrow Agreement and pledged to secure the payment of the Refunded Bonds.

Upon the giving of certain instructions to the Trustee, the Refunded Bonds will no longer be outstanding for purposes of the General Senior Bond Resolution and will cease to be entitled to any lien, benefit or security under the General Senior Bond Resolution. Accordingly, the Redemption Price on the respective dates of maturity or redemption, together with interest to become due on such Bonds on or prior to their respective maturity or redemption dates, on the Refunded Bonds will be payable solely from the escrow fund.

PART 3—THE SALES TAX

General

In 1965, New York became the 39th state to impose a general sales and compensating use tax; 46 states now impose sales or gross receipts taxes. The statewide rate has been raised three times: from 2 percent to 3 percent on April 1, 1969, to 4 percent on June 1, 1971, and to 4.25 percent effective June 1, 2003 through May 31, 2005. The rate returned to 4 percent on June 1, 2005. The Sales Tax now applies to (1) sales and use within the State of most tangible personal property; (2) certain utility service billings; and (3) charges for restaurant meals, hotel and motel occupancy, and for specified admissions and services. The base of the tax has been amended periodically since its imposition in 1965 and in almost every year since 1992. Legislation enacted from time to time since 1996 has (i) created special temporary and permanent Sales Tax exemptions for certain transactions (e.g., for clothing and footwear purchases under a certain dollar amount and for property and services used or consumed by qualifying businesses located in Empire Zones and New York City Liberty and Resurgence Zones) or (ii) expanded the scope of the Sales Tax (e.g., including the New York City cigarette excise tax of \$1.50 in the State and local sales tax bases and requiring nonprofit organizations to collect sales tax on retail sales of certain property and services). (See Sales Tax Receipts below, for a description of recent amendments).

The Sales Tax is generally collected from the consumer by the final vendor. However, special provisions enacted in 1985 require prepayment of the bulk of the tax on motor fuel upon its import into the State, with ultimate collection and reconciliation at the retail level. Legislation effective September 1, 1995 requires similar prepayments of the Sales Tax on cigarettes. This prepayment was increased from 7 percent to 8 percent in 2009. Other provisions permit certain taxpayers to pay Sales Tax directly to the Commissioner of Taxation and Finance.

Vendors of goods and services which are subject to the Sales Tax are required to submit quarterly reports and remit tax collections with a postmarked due date of March 20th, June 20th, September 20th and December 20th. Vendors collecting \$3,000 or less in Sales Tax per year can elect to file annually on March 20. Vendors with taxable volume of \$300,000 or more in one of the immediately preceding four quarters must remit the tax on a monthly basis. Monthly remittances are due on the 20th day of the month following the month of collection. Sales Tax vendors with more than \$5 million in State and local annual tax liability remit tax for the first 22 days of the month by Electronic Funds Transfers (“EFT”) or certified check by the third business day thereafter. Tax for the balance of the month is paid with the monthly returns that such vendors file by the 20th of the following month. The threshold for mandatory EFT payments was initially \$5 million and, effective September 2002, is currently \$500,000. In addition, legislation in 1996 provided exemptions from the EFT program for certain materialmen that can demonstrate hardship, effective April 1, 1997. Effective March 1, 1999, Sales Tax vendors were allowed to keep for their Sales Tax collection services 3.5 percent of their Sales Tax liability up to a maximum of \$150 per quarter. Legislation enacted in 2006 increased the percentage to 5 percent of their Sales Tax liability, up to a maximum of \$175 in FY 2007. The cap increased to \$200 on March 1, 2007. Legislation enacted in 2010 eliminated the allowance for monthly filers.

Sales Tax Receipts

Sales Tax receipts constitute the State’s second largest source of tax receipts after personal income tax and accounted for approximately 18.6 percent of State tax receipts in all State Funds in FY 2017. The level of Sales Tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to collections of the Sales Tax will be indicative of future receipts.

Actual FY 2008 receipts of \$10.590 billion reflect an increase of 2.7 percent in the continuing New York Sales Tax base.

Actual FY 2009 receipts of \$10.274 billion reflect a decrease of 2.2 percent in the continuing New York Sales Tax base and tax law changes. These tax law changes included a new voluntary compliance program allowing taxpayer disclosure of certain underreported tax liabilities, non-profit tax-exempt restrictions, a new vendor registration fee, and the creation of an evidentiary presumption that certain sellers using State residents to solicit sales in the State are vendors required to collect sales and use taxes.

Actual FY 2010 receipts of \$9.871 billion reflect a decrease of 6.1 percent in the continuing New York Sales Tax base and tax law changes. These tax law changes included a sales tax on certain transportation services, increased tax compliance efforts, increased prepaid sales tax on cigarettes, an expanded definition of vendor to preclude certain taxpayers from avoiding the tax and narrowing the exemption for commercial aircraft and the use tax for exemption for motor vehicles, vessels and aircraft.

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

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

Actual FY 2013 receipts of \$11.232 billion reflect an increase of 3.3 percent in the continuing New York State Sales Tax base and tax law changes. The exemption for items of clothing and footwear priced under \$110 went back into effect on April 1, 2012.

Actual FY 2014 receipts of \$11.786 billion reflect an increase of 4.1 percent in the continuing New York State Sales Tax base and tax law changes. These tax law changes included START-UP NY (tax-free zones on or near qualifying university and college campuses), a driver's license suspension program for certain tax delinquencies, and restrictions on certain Industrial Development Agencies retail projects and a benefit clawback provision.

Actual FY 2015 receipts of \$12.137 billion reflect a base increase of 4.7 percent and tax law changes. These tax law changes included increasing the sales tax exemption from \$0.75 to \$1.50 on certain food and drink items sold through vending machines and establishing three regions for the prepaid sales tax on fuel to reduce tax evasion at retail.

Actual FY 2016 receipts of \$12.485 billion reflect an increase of 3.8 percent in the continuing New York State Sales Tax base and tax law changes. These tax law changes included imposing local sales tax on prepaid wireless based on retail location instead of the customer's residence, exempting solar purchase power agreements from state and local sales tax, extending wine tasting sales and use tax exemption to other alcoholic beverages, an exemption of the portion of the purchase or lease of a boat in excess of \$230,000 from sales and use tax, exempting general aviation aircraft and machinery or equipment installed on aircraft from state and local sales tax, and exempting certain related-party sales arising as a result of the Federal Dodd-Frank Wall Street Reform and Consumer Protection Act.

Actual FY 2017 receipts of \$12.967 billion reflect an increase of 4.2 percent and certain tax law changes. These tax law changes included motor fuel enforcement provisions that require wholesalers to file informational returns that will be used to audit retailers, and the exemption of feminine hygiene products.

FY 2018 receipts are estimated to be \$13.567 billion, reflecting an increase of 4.6 percent in the continuing New York State Sales Tax base and tax law changes. These tax law changes include the exemption of cemetery monuments, the closure of related entities sales tax loophole, and motor fuel pre-payments reform.

FY 2019 receipts are estimated to be \$14.279 billion, reflecting an increase of 3.3 percent in the continuing New York State Sales Tax base and proposed State Tax Law changes. These Tax Law changes include discontinuing the energy service company sales tax exemption and imposing an internet fairness conformity tax.

(Note: The Sales Tax receipts described in this section do not include additional Sales Tax collections in the Metropolitan Commuter Transportation District for the Mass Transportation Operating Assistance Fund.)

Table 1 below sets forth historical information relating to Sales Tax receipts from State FYs 2008 through 2017 and estimated amounts for FY 2018 and FY 2019. Table 2 sets forth monthly Sales Tax receipts from April 1, 2013 through January 31, 2018. The information reflects the tax law changes described above.

TABLE 1
SALES TAX RECEIPTS⁽¹⁾
(billions of dollars)

State Fiscal Year	Net Receipts of Sales Tax	Net Receipts of 1% Sales Tax ⁽²⁾	Annual Rate of Growth/Decline ⁽³⁾
2008	\$10.590	\$2.648	5.4%
2009	10.274	2.569	(3.0)
2010	9.871	2.468	(3.9)
2011	10.782	2.696	9.2
2012	11.125	2.781	3.2
2013	11.232	2.808	1.0
2014	11.786	2.947	5.0
2015	12.137	3.034	3.0
2016	12.485	3.121	2.9
2017	12.967	3.242	3.9
2018 ⁽⁴⁾	13.567	3.392	4.6
2019 ⁽⁴⁾	14.279	3.570	5.2

Source: NYS DOB.

(1) These amounts reflect receipts of the full amount of the sales and compensating use tax deposited in both the General Fund and the Debt Service Fund, net of estimated collection expenses.

(2) Net of refunds.

(3) Unadjusted for rate and base changes. Represents growth rate of net receipts of 1 percent Sales Tax.

(4) As estimated in the 30-Day Amendments to the FY 2019 Executive Budget Financial Plan.

TABLE 2
MONTHLY SALES TAX RECEIPTS^{(1) (2)}
April 1, 2013 Through January 31, 2018
(millions of dollars)

MONTH	2013-14	%	2014-15	%	2015-16	%	2016-17	%	2017-18
APRIL	\$ 857	7	\$ 885	7	\$ 955	8	\$ 996	8	\$950
MAY	869	7	913	8	931	7	949	7	976
JUNE	1,209	10	1,204	10	1,280	10	1,311	10	1,353
JULY	906	8	939	8	994	8	1,017	8	1,053
AUGUST	904	8	932	8	967	8	971	7	1,031
SEPTEMBER	1,189	10	1,240	10	1,282	10	1,305	10	1,363
OCTOBER	894	8	932	8	874	7	1,000	8	1,040
NOVEMBER	893	8	945	8	965	8	998	8	1,102
DECEMBER	1,190	10	1,225	10	1,189	10	1,266	10	1,386
JANUARY	945	8	970	8	1,017	8	1,070	8	1,120
FEBRUARY	805	7	802	7	828	7	875	7	
MARCH	1,125	10	1,151	9	1,204	10	1,208	9	
TOTAL ⁽³⁾	\$11,786	100%	\$12,137	100%	\$12,485	100%	\$12,967	100%	

Source: NYS DOB.

(1) Amounts shown reflect both the General Fund and Debt Service Fund receipts from the State's 4 percent sales and compensating use taxes.

(2) Percentages indicate the monthly share of yearly receipts.

(3) Totals may not add due to rounding.

Estimated Debt Service Coverage

The following table sets forth (1) receipts from the net Sales Tax collection for FY 2017, (2) receipts from the 1 percent Sales Tax receipts for FY 2017, (3) estimated maximum annual debt service on Outstanding Bonds of the Corporation and (4) resulting debt service coverage. There can be no assurance that future Sales Tax collections will not be less than the amounts collected for FY 2017 as a result of numerous factors affecting Sales Tax collections.

TABLE 3
Estimated Debt Service Coverage
New York Local Government Assistance Corporation
(Dollars in Millions)

2017 Fiscal Year Sales Tax Receipts	\$12,966,622
2017 Fiscal Year 1% Sales Tax Receipts ⁽¹⁾	3,241,633
Maximum Annual Debt Service ⁽²⁾	373,762
Debt Service Coverage	8.7x

(1) Net of approximately \$17.4 million in estimated collection expenses.

(2) Amounts include actual outstanding debt service for both Senior and Subordinate Bonds as shown in Table 4 under “PART 5—DEBT SERVICE SCHEDULE”. “Maximum Annual Debt Service” includes interest on such Bonds at an assumed rate of 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds for the Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds (for all but \$370,000 of which interest rate exchange agreements were entered).

Legislation enacted in 2003 currently requires LGAC to certify, in addition to its own cash needs, for \$170 million annually. In May 2004, LGAC amended its General Senior Bond Resolution and General Subordinate Bond Resolution to clarify that any failure to certify or make payments to New York City or its assignee has no impact on LGAC’s own bondholders; and that if any such act or omission were to occur with respect to any possible bonds issued by New York City or its assignee, that act or omission would not constitute an Event of Default with respect to LGAC bonds. For purposes of calculating debt service coverage as shown in Table 3, such \$170 million payment was not deducted from the 1 percent Sales Tax receipts or added to maximum annual debt service.

The Act does not restrict the right of the State to amend, repeal, modify or otherwise alter the Sales Tax. In addition, the Act permits, after appropriation of the Corporation’s cash requirements, moneys derived from the Tax Fund to be paid over to the General Fund. The Act could be amended to provide that those moneys be used as a source of payment for financings by the Corporation in excess of its current authorization or for separate financings by other authorities of the State. In the case of the Corporation, however, such financing could not be issued under the Senior Resolution or otherwise by the Corporation unless (i) the date and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay, when due, debt service on the Senior Bonds and (ii) such financings are not entitled to a lien or charge equal or prior to the Senior Bonds on Revenues, moneys and securities in the Senior Debt Service Fund and the Senior Capital Reserve Fund and could not be issued under the Subordinate Resolution or otherwise by the Corporation unless (i) the date and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay, when due, debt service on the Subordinate Bonds and (ii) such financing is not entitled to a lien or charge equal or prior to the Subordinate Bonds on Revenues, moneys and securities in the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund. No such additional financing is permitted under existing law.

PART 4—SOURCES OF PAYMENT AND SECURITY FOR THE BONDS

General

Senior Bonds. The Senior Bonds, including the Series 2018A Senior Bonds, are general obligations of the Corporation payable out of certain pledged Revenues and from other moneys pledged under the Senior Resolution including amounts on deposit in and earned on investment of the Senior Capital Reserve Fund. The Senior Bonds, including the Series 2018A Senior Bonds, are entitled to a first lien, created by the pledge under the Senior Resolution, on the Revenues and moneys or securities on deposit in the Senior Debt Service Fund and the Senior Capital Reserve Fund.

The pledged moneys and securities include the following:

- (i) amounts derived from the 1% Sales Tax (less certain statutory refunds) or other sources and paid over to the Senior Debt Service Fund from the Tax Fund.
- (ii) amounts received from the same sources to restore the Senior Capital Reserve Fund to its Requirement to the extent any deficiency therein resulted from the failure by the State to pay any amounts previously certified by the Chairperson, and
- (iii) any interest or income earned on amounts deposited in the Senior Bond Proceeds Fund, Senior Debt Service Fund and Senior Capital Reserve Fund established under the Senior Resolution less amounts required by federal tax laws for rebate payments to the Department of Treasury of the United States of America to maintain the tax-exempt status of the Bonds.

Subordinate Bonds. The Subordinate Bonds are general obligations of the Corporation payable out of certain pledged Revenues and from other moneys pledged under the Subordinate Resolution including amounts on deposit in and earned on investment of the Subordinate Capital Reserve Fund. The Subordinate Bonds are entitled to a first lien, created by the pledge under the Subordinate Resolution on the Revenues and moneys or securities on deposit in the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund. The pledge created by the Subordinate Resolution, insofar as it relates to Revenues, moneys and securities and funds pledged under the Senior Resolution, is subordinate in all respects to the pledge of such Revenues, moneys, and securities and funds created by the Senior Resolution.

The pledged moneys and securities include the following:

- (i) amounts derived from the 1% Sales Tax (less certain statutory refunds) or other sources and paid over to the Subordinate Debt Service Fund from the Senior Subordinated Payment Fund.
- (ii) amounts received from the same sources to restore the Subordinate Capital Reserve Fund to its Requirement to the extent any deficiency therein resulted from the failure by the State to pay any amounts previously certified by the Chairperson, and
- (iii) any interest or income earned on amounts deposited in the Subordinate Bond Proceeds Fund, Subordinate Debt Service Fund and Subordinate Capital Reserve Fund established under the Subordinate Resolution less amounts required by federal tax laws for rebate payments to the Department of Treasury of the United States of America to maintain the tax-exempt status of the Bonds.

Tax Fund

The Act establishes the Tax Fund in the joint custody of the Comptroller and the Commissioner of Taxation and Finance and requires all moneys on deposit in the Tax Fund to be held separate and apart from all other moneys in the custody of the State. The Commissioner of Taxation and Finance is required by the Act to certify monthly to the Comptroller amounts received in the Tax Fund.

All revenues derived from the 1% Sales Tax are required to be deposited, upon receipt, in the Tax Fund and held there, as described below under “Moneys Held in the Tax Fund,” until the full amount certified by the Chairperson as being required by the Corporation for its current fiscal year has been appropriated by the State. Once the full amount certified or recertified by the Chairperson has been appropriated for a fiscal year, receipts from the 1% Sales Tax may be used for other State purposes until those receipts are required to be impounded, as described below under “Set Aside of the 1% Sales Tax in the Tax Fund,” to make required payments to the Corporation for debt service on the Bonds and other cash requirements of the Corporation, as described below under “Certification of Payments Required by the Corporation.”

The sequence in which the 1% Sales Tax is deposited into the Tax Fund, impounded therein, and transferred therefrom to the Corporation for the payment of the Bonds is more fully described below under “Summary of Flow of Funds.”

Certification of Payments Required by the Corporation

Subject to appropriation, moneys on deposit in the Tax Fund are required by the Act to be paid to the Corporation in the amounts and at the times set forth in the certification of the Chairperson required to be delivered to the Comptroller and the Governor under the Act.

Not less than 120 days prior to each fiscal year of the Corporation, the Chairperson is required to certify a schedule of all cash requirements of the Corporation for that fiscal year. That certification is required to include the total amount of debt service expected to become due on the Bonds, all amounts necessary to restore the Capital Reserve Funds to their respective Capital Reserve Fund Requirements to the extent any deficiency resulted directly or indirectly from failure by the State to make any payment provided for under the Act, all amounts necessary to pay operating expenses of the Corporation, and all amounts required by the Corporation to pay any other obligations of the Corporation (including the payment of \$170 million required by the Act to be made by the Corporation to New York City or its assignee). The schedule accompanying that certification is also required to provide for payments on such dates as the Corporation deems appropriate to ensure that sufficient funds will be available from the Tax Fund to enable it to meet its current obligations as they become due.

In addition, the Resolutions each require the Corporation, acting through the Chairperson, to prepare and submit the certification such that the Comptroller shall be required to transfer all amounts required for principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bond issued under such Resolution no less than five days prior to the due date of such payment.

Under each of the Resolutions, the Corporation has covenanted to cause the Chairperson promptly to revise or amend the certification described above, and the schedule required to accompany that certification, from time to time, to assure that the certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Corporation for the current fiscal year and the dates of those required payments. Further, the Chairperson is required immediately to revise or amend the certification, and the accompanying schedule, if either of the following should occur: (i) amounts are required to restore either Capital Reserve Fund to its Capital Reserve Fund Requirement to the extent any deficiency therein has resulted directly or indirectly from failure by the State to make any payment required under the Act, including without limitation any payment of principal of or interest on the Bonds (including Variable Interest Rate Bonds) or on any related Reimbursement Obligation; or (ii) additional amounts are required to make any

payment of principal of or interest on Bonds (including Variable Interest Rate Bonds) and any related Reimbursement Obligation.

Upon issuance of the first Series of Bonds, the Chairperson certified the amount of such payments required by the Corporation for its 1991-92 fiscal year. The Chairperson revised such certification upon the issuance of each subsequent Series of Senior Bonds.

Set Aside of the 1% Sales Tax in the Tax Fund

In order to set aside the moneys necessary to meet the amounts required on the payment date specified in the Chairperson's certificate, the Act requires the Comptroller to comply with certain provisions relating to the accumulation and set aside of the 1% Sales Tax. Those set-aside provisions, which are referred to as "impoundment," may be summarized as follows:

1. The Comptroller is required, on a monthly basis, to prepare a schedule of the amount of revenues from the 1% Sales Tax anticipated to be deposited in the Tax Fund, based upon estimates of the Director of the Budget.

2. Except as described in paragraph 4, commencing when a payment for debt service or another required payment due to the Corporation first equals 95% of the amount of revenues from the 1% Sales Tax anticipated to be deposited in the Tax Fund prior to the due date of such payment, the Comptroller is required to set aside in the Tax Fund all such revenues as received until the amount so set aside is sufficient to make such payment.

3. In any event, the Comptroller is required to commence setting aside revenues from the 1% Sales Tax no later than the fifteenth day prior to the date on which a debt service or other required payment is due to the Corporation and to continue to set aside such revenues until the balance is sufficient to pay the amount of such payment when due.

4. For the purpose of meeting a debt service or other required payment that is due on a monthly or more frequent basis (such as a payment on Variable Interest Rate Bonds), the Comptroller is required to set aside all revenues from the 1% Sales Tax as received until the amount so set aside is, in the reasonable judgment of the Comptroller, sufficient to meet the debt service payment on such issue.

Moneys impounded pursuant to the procedures just described will be held by the Comptroller separate and apart from all other funds of the State and invested only in Debt Service Fund Investments, a definition of which is set forth in Appendices A-1 and A-2 hereto.

Moneys Held in the Tax Fund

The Act prohibits the Comptroller from paying over or distributing any revenues from the 1% Sales Tax out of the Tax Fund (other than collection expenses) except to the Corporation, unless two requirements are met. First, all payments certified as required by the Corporation for a fiscal year must have been appropriated to the Corporation to the full amount specified in the Chairperson's certificate. Second, each certified and appropriated payment for which moneys are required to be set aside under the impoundment provisions must have been made to the Corporation on the date by which it was required to have been made pursuant to the schedule in the Chairperson's certificate.

If an appropriation has been made to pay all amounts specified in the Chairperson's certificate as being required by the Corporation for a fiscal year and all payments to the Corporation are current, then the Comptroller is required by the Act to pay over and distribute to the credit of the General Fund of the State, at least once a month, all revenues in the Tax Fund, if any, in excess of the aggregate amounts required to be set

aside pursuant to the impoundment provisions. The Act also requires the Comptroller to pay to the General Fund all sums remaining in the Tax Fund on the last day of each State fiscal year, but only if the State has appropriated and paid to the Corporation the amounts necessary for the Corporation to meet its requirements for the current fiscal year pursuant to the Chairperson's certificate, as such certificate may have been amended during such fiscal year.

Under the Act, no person (including the Corporation or the Holders of Bonds or Notes) shall have any lien on revenues from the 1% Sales Tax held in the Tax Fund, and the provisions of the Act requiring the State to make payments from the Tax Fund shall be executory only to the extent of revenues from the 1% Sales Tax available to the State in the Tax Fund. If, however, the amount set aside by the Comptroller in the Tax Fund is insufficient to meet the payments required pursuant to the Chairperson's certificate on any payment date, then the Comptroller is required by the Act to immediately transfer from the State's General Fund to the Tax Fund, without an additional appropriation, an amount which, when combined with the amount set aside under the impoundment provisions, shall be sufficient to meet the payment required pursuant to the Chairperson's certificate.

Appropriation by Legislature

The State may not make any payment without an appropriation. An appropriation is an authorization approved by the State Legislature to make payments. The State Constitution requires all appropriations of State funds to be approved by the State Legislature at least every two years. In addition, the State Finance Law provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the 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. 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. The Corporation expects that the State Legislature will make an annual appropriation from amounts on deposit in the Tax Fund in amounts sufficient to pay debt service on the Bonds.

Deposits to the Tax Fund are expected to exceed the amounts necessary to pay debt service on the Bonds, as described under "Estimated Debt Service Coverage" in Part 3. The Act contains provisions, which are described above under "Set Aside of the 1% Sales Tax in the Tax Fund" and "Moneys Held in the Tax Fund," for the accumulation and setting aside of the 1% Sales Tax to be paid, subject to appropriation, to the Corporation. The effect of those provisions is that, if an appropriation for and payment of the Corporation's debt service on the Bonds is not made, the revenues from the 1% Sales Tax will, under existing law, remain in the Tax Fund and will thus not be available for other State purposes.

If the Legislature should fail to make an appropriation for the payment of debt service on general obligation bonds of the State to which the full faith and credit of the State has been pledged, the State Constitution requires the Comptroller to set apart from first revenues thereafter received, applicable to the General Fund of the State, a sum sufficient to pay such debt service and shall apply the monies thus set apart. It further provides that the Comptroller may be required to set aside and apply such revenues to debt service on such bonds at the suit of any holder of such bonds. There has never been an occasion for a court to determine the extent of the remedies available to a holder of the State's general obligation bonds, under such circumstances, with respect to revenues such as the 1% Sales Tax, which are required to be deposited in the Tax Fund.

The Corporation 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 its Authorities to raise funds in the public credit markets.

Summary of Flow of Funds

The following paragraphs are a summary of the flow of funds relating to the collection and transfer of the 1% Sales Tax and other sources of payment for the Bonds under existing law and the Resolutions:

1. The Chairperson is required to submit a certificate to the Comptroller and the Governor, certifying all cash requirements of the Corporation for the next fiscal year, including all debt service on the Bonds, together with a schedule indicating the payment dates and amounts of payments required (or estimated to be required) to be made to the Corporation, 120 days prior to the beginning of that fiscal year. The Chairperson is required to amend or revise that certificate to provide for actual requirements as they become known.

2. Upon receipt, revenues from the 1% Sales Tax are required to be deposited in the Tax Fund, held jointly by the Commissioner of Taxation and Finance and the Comptroller.

3. The 1% Sales Tax moneys are required to be held in the Tax Fund, until an appropriation is made which is sufficient to pay all amounts certified by the Chairperson for the fiscal year.

4. If, and only if, an appropriation has been made sufficient to pay all amounts certified by the Chairperson for the fiscal year, receipts from the 1% Sales Tax on deposit in the Tax Fund will be paid monthly to the General Fund, but only to the extent that they are neither needed to pay debt service on the Bonds nor required to be impounded for the Bonds.

5. If the Chairperson amends the certificate such that the cash requirements of the Corporation exceed the appropriation therefor, then revenues attributable to the 1% Sales Tax thereafter received in the Tax Fund are required to be held therein until an additional appropriation sufficient to pay the additional amount is made.

6. Under the impoundment procedures, except for debt service due on a monthly or more frequent basis, the Comptroller is required to begin to impound 1% Sales Tax moneys either by the date when a payment for debt service or another required payment due to the Corporation first equals 95% of the amount of revenues from the 1% Sales Tax anticipated to be deposited in the Tax Fund prior to the due date of such payment, or by the 15th day preceding that date, whichever is earlier. For debt service due on a monthly or more frequent basis, the Comptroller is required to set aside all revenues from the 1% Sales Tax as received in the relevant interest period until the amount so set aside is, in the reasonable judgment of the Comptroller, sufficient to meet such debt service payment.

7. Subject to appropriation, the Comptroller is required to pay, directly into the Senior Debt Service Fund, the amount required for debt service on the Bonds, at least five days prior to a payment date, from amounts impounded in the Tax Fund, and if those amounts are insufficient, without further appropriation, to transfer sufficient moneys to the Tax Fund from the General Fund of the State. The Subordinate Bonds will be paid from the 1% Sales Tax and any other revenues deposited pursuant to the Senior Resolution that are transferred to the Senior Subordinated Payment Fund established under the Senior Resolution after sufficient amounts are deposited in the funds and accounts securing the Senior Bonds.

8. If a shortfall exists in the Senior Debt Service Fund immediately prior to a payment date on the Senior Bonds, moneys on deposit in the Senior Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Senior Debt Service Fund for the payment of debt service on the Bonds. If the Senior Capital Reserve Fund is drawn upon for such purposes, the Chairperson is required immediately to certify amounts required to restore the Senior Capital Reserve

Fund to its Requirement, and upon such certification the Comptroller is required to impound moneys in the Tax Fund to make such payment.

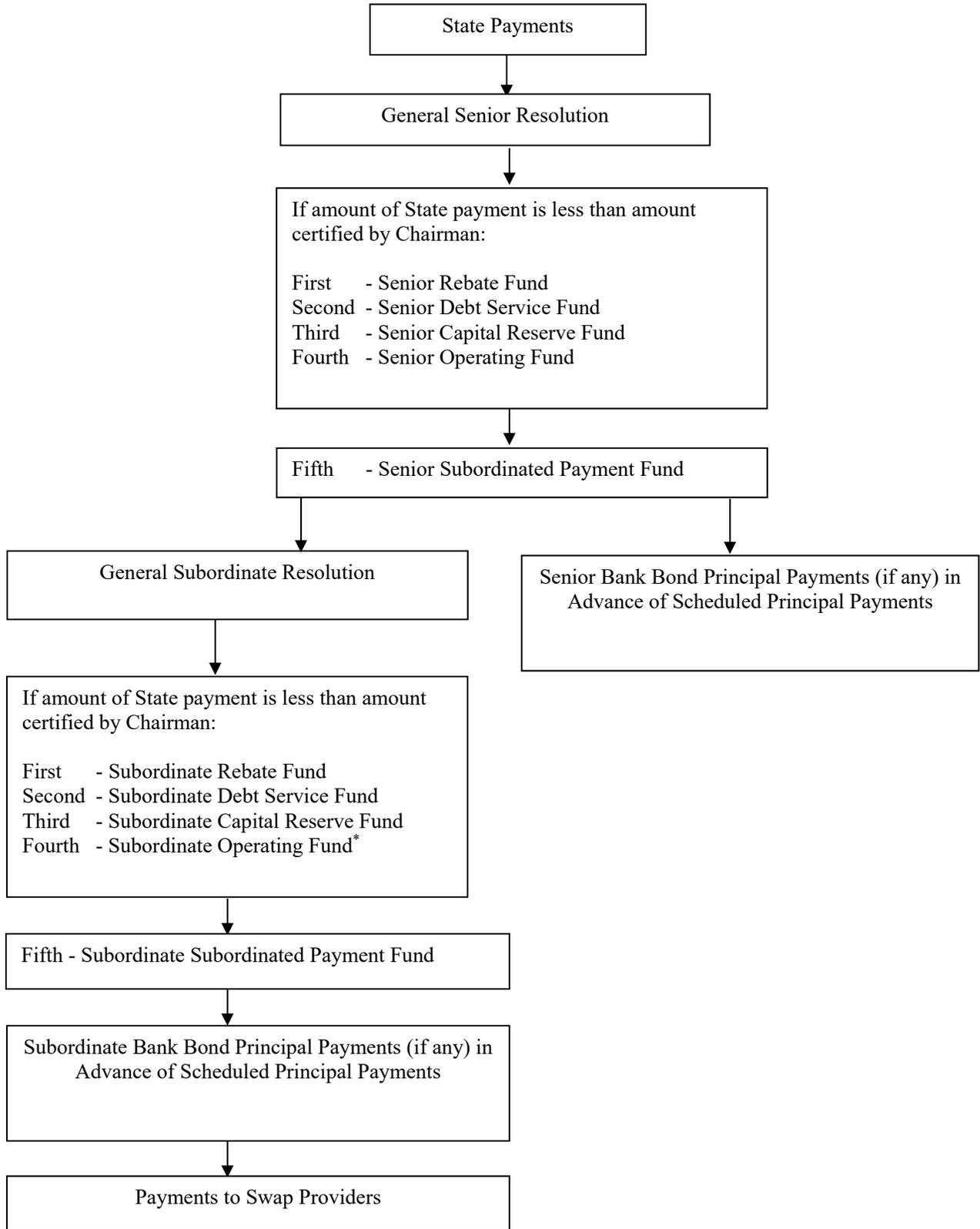
9. If a shortfall exists in the Subordinate Debt Service Fund immediately prior to a payment date on the Subordinate Bonds, moneys on deposit in the Subordinate Capital Reserve Fund sufficient to replenish the shortfall are required to be applied to the Subordinate Debt Service Fund for the payment of debt service on the Bonds. If the Subordinate Capital Reserve Fund is drawn upon for such purposes, the Chairperson is required immediately to certify amounts required to restore the Subordinate Capital Reserve Fund to its Requirement, and upon such certification the Comptroller is required to impound moneys in the Tax Fund to make such payment.

10. Under existing law, no moneys may be released from the Tax Fund unless all required amounts have been appropriated and all currently due payments have been made to the Corporation.

11. If all required amounts have been appropriated and all currently due payments have been made to the Corporation, then at the end of the State's fiscal year, the Comptroller is required to pay all remaining moneys in the Tax Fund to the General Fund of the State.

Set forth below is a chart showing the flow of funds under the Resolutions.

FLOW OF FUNDS



*Not established until General Senior Resolution is no longer in effect.

Capital Reserve Funds

The Senior Bonds are secured by amounts on deposit in, and earned on investment of, the Senior Capital Reserve Fund established pursuant to the Act in the Senior Resolution. The Senior Resolution establishes the requirement of the Senior Capital Reserve Fund (the “Senior Capital Reserve Fund Requirement”), as of any date of calculation, as an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest on all Senior Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding fiscal year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months’ interest and (ii) that interest on Variable Interest Rate Senior Bonds is calculated as if such Variable Interest Rate Senior Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Senior Bonds or under the related Reimbursement Obligation, provided that the Senior Capital Reserve Fund Requirement shall at no time exceed the sum of the Senior Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to 10% of the proceeds (as such term is defined under Section 148(d) of the Code) from the sale of such Series. The Senior Capital Reserve Fund was previously funded to the Capital Reserve Fund Requirement from the proceeds of prior Series of Bonds. Following the issuance of the Series 2018A Senior Bonds, the Senior Capital Reserve Fund Requirement will be \$191,036,531.25.

The Subordinate Bonds are secured by amounts on deposit in, and earned on investment of, the Subordinate Capital Reserve Fund established pursuant to the Act in the Subordinate Resolution. The Subordinate Resolution will establish the requirement of the Subordinate Capital Reserve Fund (the “Subordinate Capital Reserve Fund Requirement”), as of any date of calculation, as an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Subordinate Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months’ interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Subordinate Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes. The Subordinate Capital Reserve Fund Requirement is \$90,603,765.59.

Moneys on deposit in the Senior Capital Reserve Fund may only be drawn upon to pay debt service on the Senior Bonds, and not on any Subordinate Bonds or Notes or Other Obligations of the Corporation. Moneys on deposit in the Subordinate Capital Reserve Fund may only be drawn upon to pay debt service on the Subordinate Bonds, and not on any Senior Bonds or Notes or Other Obligations of the Corporation. The Chairperson is required immediately to certify to the Comptroller and the Governor the extent of any deficiency in either Capital Reserve Fund resulting from the failure by the State to make any payment previously certified by the Chairperson, and under the Act, the Comptroller is required to make a payment in the amount so certified, subject to appropriation, as more fully described under “Certification of Payments Required by the Corporation” above in this Part. The Senior Resolution provides for an “event of default” whenever the Trustee shall have withdrawn amounts from the Senior Capital Reserve Fund to pay debt service on the Senior Bonds and the Senior Capital Reserve Fund is not restored to its requirement within 120 days thereafter. See Appendix A-1, “Summary of Certain Provisions of the Senior Resolution—Events of Default”, herein, for a description of “events of default” under the Resolution. The Subordinate Resolution provides for an “event of default” whenever the Trustee shall have withdrawn amounts from the Subordinate Capital Reserve Fund to pay debt service on the Subordinate Bonds and the Subordinate Capital Reserve Fund is not restored to its requirement within 120 days thereafter. See Appendix A-2, “Summary of Certain Provisions of the Subordinate Resolution—Events of Default,” herein, for a description of “events of default” under the Resolution.

Under each of the Resolutions, the Corporation may deposit a surety agreement, insurance agreement, letter of credit or other similar agreement or arrangement in the applicable Capital Reserve Fund in order to

meet the applicable Capital Reserve Fund Requirement, provided that the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) or any other modifier to any rating) by Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P") provided further that if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) or any other modifier to any rating) by Moody's and S&P and provided further that no such surety agreement, insurance agreement, letter of credit or other similar agreement or arrangement may be deposited to such Capital Reserve Fund if such deposit would result in the downgrading of the rating on the applicable Bonds by either Moody's or S&P to the extent that either such firm is then maintaining a rating on such Bonds. On March 2, 2000, the Corporation deposited to the Senior Capital Reserve Fund a Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company in the amount of \$170,000,000. As a result of this deposit, an approximately equal amount of money was released from the Senior Capital Reserve Fund and was applied or was deposited into escrow accounts to be applied to redeem Senior Bonds. At the time of such deposit, Moody's and S&P rated the claims paying ability of FGIC "Aaa" and "AAA" respectively. LGAC understands that pursuant to a reinsurance agreement between FGIC and National Public Finance Guarantee Corporation, a subsidiary of MBIA, Inc., National Public Finance Guarantee Corporation has reinsured certain obligations of FGIC, including the FGIC Municipal Bond Debt Service Reserve Insurance Policy on deposit in the Senior Capital Reserve Fund. As of the date hereof, National Public Finance Guarantee is rated "Baa2" by Moody's and is no longer rated by S&P.

Each of the Resolutions provides that moneys in the applicable Capital Reserve Fund are to be invested in Capital Reserve Fund Investments, as that term is defined in the Resolutions, summaries of which are set forth in Appendices A-1 and A-2 herein.

Additional Bonds

Senior Bonds. The Act and the Senior Resolution authorize the issuance of Additional Senior Bonds on a parity with the Outstanding Senior Bonds in an amount (together with the Outstanding Senior Bonds) not in excess of \$4.7 billion (exclusive of certain refunding and renewal obligations) plus a principal amount of Senior Bonds issued in connection with any Series (i) to fund the Senior Capital Reserve Fund in accordance with the Senior Capital Reserve Fund Requirement, (ii) to provide capitalized interest for a period not to exceed six months and (iii) to provide for the payment of fees and other charges and expenses, including underwriters' discount, related to the issuance of such Additional Senior Bonds, or related to the provision of any applicable Bond Facilities. The Corporation has reached its maximum authorization of \$4.7 billion, and consequently no Additional Senior Bonds will be issued except for refunding purposes, as described in the following paragraph.

The Senior Resolution provides that Additional Senior Bonds may be issued for refunding purposes provided that there is filed with the Trustee a certificate of an Authorized Officer demonstrating that the amount of debt service on all Outstanding Bonds will not be increased in any future year after giving effect to such issuance of Additional Bonds or that the coverage test described above under "PART I—Introduction—Additional Bonds and Estimated Debt Service Coverage" is satisfied.

The Senior Resolution also requires that a certificate by an Authorized Officer be filed with the Trustee stating that the amount of the Senior Capital Reserve Fund, upon the issuance and delivery of any such Additional Senior Bonds, shall not be less than the Senior Capital Reserve Fund Requirement.

The Senior Resolution provides that prior to the issuance of any Notes, Other Obligations or Additional Senior Bonds with provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments, or other evidence of indebtedness not otherwise defined in the Senior Resolution issued by the Corporation, or Swaps and other financial instruments not otherwise defined in the Resolution entered into by the Corporation, any of which is payable from revenues derived from the 1% Sales

Tax, the Trustee shall receive, in conjunction with the certificate referred to in the requirement for Additional Senior Bonds if such certificate is required, a certificate of an Authorized Officer (i) identifying such securities as one or more of the obligations or instruments just described, (ii) setting forth the terms and provisions thereof, including, without limitation, the date or dates and amounts of payment of principal of and interest on the Notes, Other Obligations or other such evidences of indebtedness, or the date or dates of any such mandatory purchase or redemption provisions, and of any Swap Payments or other payments relating to such financial instruments, and (iii) stating that such date or dates and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay the principal of or interest on its Outstanding Senior Bonds when due.

The Senior Resolution provides that in the event that any Series of Additional Senior Bonds includes provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments there is filed a certificate of an Authorized Officer setting forth the terms and provisions of such mandatory purchase or redemption and the conditions under which such purchase or redemption could occur and either (i) that the debt service coverage requirements for such Bonds have been calculated on the assumption that such mandatory purchase or redemption will occur or (ii) that provisions have been included in the Series Resolution to the effect that only the scheduled payments of principal on the Senior Bonds to be issued and the Sinking Fund Installments with respect thereto and interest on the Senior Bonds of such Series will be on a parity with Outstanding Senior Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Senior Subordinated Payment Fund.

The Corporation has Outstanding under the Senior Resolution \$456.6 million* of Senior Bonds.

Subordinate Bonds. The Act and the Subordinate Resolution authorize the issuance of Additional Subordinate Bonds on a parity with the Outstanding Subordinate Bonds in an amount (together with the Outstanding Subordinate Bonds and Outstanding Senior Bonds) not in excess of \$4.7 billion (exclusive of certain refunding and renewal obligations) plus a principal amount of Subordinate Bonds issued in connection with any Series (i) to fund the Subordinate Capital Reserve Fund in accordance with the Subordinate Capital Reserve Fund Requirement, (ii) to provide capitalized interest for a period not to exceed six months and (iii) to provide for the payment of fees and other charges and expenses, including underwriters' discount, related to the issuance of such Additional Subordinate Bonds, or related to the provision of any applicable Bond Facilities. The Corporation has reached its maximum authorization of \$4.7 billion, and consequently no Additional Subordinate Bonds will be issued except for refunding purposes, as described in the following paragraph.

The Subordinate Resolution provides that Additional Subordinate Bonds may be issued for refunding purposes provided that there is filed with the Trustee a certificate of an Authorized Officer demonstrating that the amount of debt service on all Outstanding Bonds will not be increased in any future year after giving effect to such issuance of Additional Bonds or that the coverage test described above under "PART 1—INTRODUCTION—Additional Bonds and Estimated Debt Service Coverage" is satisfied.

The Subordinate Resolution also requires that a certificate by an Authorized Officer be filed with the Trustee stating that the amount of the Subordinate Capital Reserve Fund, upon the issuance and delivery of any such Additional Subordinate Bonds, shall not be less than the Subordinate Capital Reserve Fund Requirement.

The Subordinate Resolution provides that prior to the issuance of any Notes, Other Obligations (as defined in the Subordinate Resolution) or Additional Subordinate Bonds with provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments, or other evidence of indebtedness not otherwise defined in the Subordinate Resolution issued by the Corporation, or Swaps and other financial instruments not otherwise defined in the Resolution entered into by the Corporation,

* Excludes Senior Bonds to be refunded by the Series 2018A Senior Bonds.

any of which is payable from revenues derived from the 1% Sales Tax, the Trustee shall receive, in conjunction with the certificate referred to in the requirement for Additional Subordinate Bonds if such certificate is required, a certificate of an Authorized Officer (i) identifying such securities as one or more of the obligations or instruments just described, (ii) setting forth the terms and provisions thereof, including, without limitation, the date or dates and amounts of payment of principal of and interest on the Notes, Other Obligations or other such evidences of indebtedness, or the date or dates of any such mandatory purchase or redemption provisions, and of any Swap Payments or other payments relating to such financial instruments, and (iii) stating that such date or dates and amounts of payments have been scheduled so that they do not materially adversely affect the ability of the Corporation to pay the principal of or interest on its Outstanding Subordinate Bonds and Senior Bonds when due.

The Subordinate Resolution provides that in the event that any Series of Additional Subordinate Bonds includes provisions relating to a mandatory purchase or redemption other than as a result of scheduled Sinking Fund Installments there is filed a certificate of an Authorized Officer setting forth the terms and provisions of such mandatory purchase or redemption and the conditions under which such purchase or redemption could occur and either (i) that the debt service coverage requirements for such Bonds have been calculated on the assumption that such mandatory purchase or redemption will occur or (ii) that provisions have been included in the Series Resolution to the effect that only the scheduled payments of principal on the Subordinate Bonds to be issued and the Sinking Fund Installments with respect thereto and interest on the Subordinate Bonds of such Series will be on a parity with Outstanding Subordinate Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinate Subordinated Payment Fund.

The Corporation has outstanding under the General Subordinate Bond Resolution \$913 million of Subordinate Bonds outstanding, of which there are \$178.4 million of Series 2003A Variable Rate Subordinate Bonds, which are uninsured Subordinate Bonds with liquidity provided by standby bond purchase agreements, and \$188.7 million of Series 2008B Variable Rate Subordinate Bonds, which are uninsured Subordinate Bonds with liquidity provided by standby bond purchase agreements. The Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds are subject to mandatory tender and purchase under certain circumstances. Provisions have been included in the Variable Rate Supplemental Subordinate Lien Bond Resolution adopted pursuant to the General Subordinate Bond Resolution and the respective Series Resolutions authorizing the issuance of the Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds meeting the foregoing requirements of the Subordinate Resolution, so that only scheduled debt service on the Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds will be on a parity with Outstanding Subordinate Bonds and that all other redemptions of principal as a result of such mandatory purchase or redemption provisions are payable solely from the Subordinate Subordinated Payment Fund.

Payments of debt service on Variable Interest Rate Subordinate Bonds purchased by the provider of a liquidity facility for such Bonds may be accelerated. Such accelerated payments will be payable from the Subordinate Subordinated Payment Fund, subordinate to Subordinate Bonds.

No Prior Liens

Under the Senior Resolution, subject to its maximum authorization or for refunding purposes, the Corporation has the power to and reserves the right to issue or enter into (i) Notes, Other Obligations, Swaps or other financial instruments under the Senior Resolution, to be paid from amounts on deposit in the Senior Subordinated Payment Fund, or (ii) any other evidence of indebtedness or other financial instruments not otherwise defined in the Senior Resolution under another and separate resolution, so long as any such evidences of indebtedness or other financial instruments described in (i) and (ii) above are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Corporation and Holders of the Senior Bonds provided by, the Senior Resolution, including, without limitation, the Senior Debt Service Fund and the Senior Capital Reserve Fund, and the Act, or with respect to

the Revenues and other moneys pledged under the Senior Resolution or with respect to proceeds from the 1% Sales Tax or the sources set forth in the Act.

Under the Subordinate Resolution, subject to its maximum authorization or for refunding purposes, the Corporation has the power to and reserves the right to issue or enter into (i) Notes, Other Obligations, Swaps or other financial instruments under the Subordinate Resolution, to be paid from amounts on deposit in the Subordinate Subordinated Payment Fund, or (ii) any other evidence of indebtedness or other financial instruments not otherwise defined in the Subordinate Resolution under another and separate resolution, so long as any such evidences of indebtedness or other financial instruments described in (i) and (ii) above are not entitled to a charge or lien or right prior or equal to the charge or lien created by, or prior or equal to the rights of the Corporation and Holders of the Subordinate Bonds provided by, the Subordinate Resolution, including, without limitation, the Subordinate Debt Service Fund and the Subordinate Capital Reserve Fund, and the Act, or with respect to the Revenues and other moneys pledged under the Subordinate Resolution or with respect to proceeds from the 1% Sales Tax or the sources set forth in the Act. However, the Corporation retains the right to issue or enter into Senior Bonds or notes, other obligations, swaps, reimbursement obligations or other financial obligations as defined in, permitted by and/or incurred pursuant to the Senior Resolution.

PART 5—ESTIMATED SOURCES AND USES OF FUNDS AND DEBT SERVICE SCHEDULE

Estimated Sources and Uses

Estimated sources and uses of funds for the Series 2018A Senior Bonds are expected to be as follows:

Sources of Funds:

Series 2018A Senior Bonds	\$256,045,000.00
Original Issue Premium	14,972,271.80
Capital Reserve Fund Release	34,148,893.75
Equity Contribution	<u>39,179,413.31</u>
Total Sources	\$344,345,578.86

Uses of Funds:

Deposit to Escrow Fund	\$340,536,012.88
Initial Purchaser's Discount	47,184.49
Swap Termination Payment	3,410,000.00
Costs of Issuance	<u>352,381.49</u>
Total Uses	\$344,345,578.86

The Series 2018A Senior Bonds, together with other funds available under the Senior Resolution, are being issued to (i) provide funds to pay at maturity or refund all or a portion of the Outstanding Series 2007A Refunding Bonds (Senior Lien), the Series 2008A Refunding Bonds (Senior Lien) and the Series 2008B Variable Rate Senior Bonds of the Corporation, as described in Appendix D hereto (the "Refunded Bonds"); (ii) fund termination payments relating to an interest rate swap agreement associated with the 2008B Variable Rate Senior Bonds; and (iii) pay the costs related to the issuance of the Series 2018A Senior Bonds. See "Plan of Refunding" in Part 2 for a more detailed discussion of the refunding.

Debt Service Schedule

The following schedule sets forth the Debt Service requirements for the Bonds after the issuance of the Series 2018A Senior Bonds.

Table 4
Debt Service Schedule

Year Ending April 1	Outstanding Senior Debt Service⁽¹⁾	Series 2018A Bonds Debt Service	Aggregate Senior Debt Service	Outstanding Subordinate Debt Service⁽¹⁾	Total Debt Service⁽¹⁾
2018	\$ 38,445,062.50	-	\$ 38,445,062.50	\$ 155,527,113.43	\$ 193,972,175.93
2019	64,289,225.00	\$126,747,306.25	191,036,531.25	182,725,800.03	373,762,331.28
2020	73,652,375.00	116,101,000.00	189,753,375.00	183,460,605.67	373,213,980.67
2021	45,076,500.00	35,112,000.00	80,188,500.00	183,125,078.33	263,313,578.33
2022	-	-	-	137,849,849.98	137,849,849.98
2023	-	-	-	99,411,850.01	99,411,850.01
2024	-	-	-	58,046,509.58	58,046,509.58
2025	-	-	-	32,657,100.00	32,657,100.00
Total	\$221,463,162.50	\$277,960,306.25	\$499,423,468.75	\$1,032,803,907.03	\$1,532,227,375.78

⁽¹⁾ Assumes interest at 4% per annum, which is approximately equal to the sum of the rate payable by the Corporation under its interest rate exchange agreements and the related fees and expenses on the applicable bonds, on the Series 2003A Variable Rate Subordinate Bonds and the Series 2008B Variable Rate Subordinate Bonds (for all but \$370,000 of which interest rate exchange agreements were entered).

PART 6—DESCRIPTION OF THE SERIES 2018A SENIOR BONDS

General

The Series 2018A Senior Bonds will be dated their date of delivery and will bear interest at the rates and will mature on the dates as set forth on the inside cover page of this Official Statement. All of the Series 2018A Senior Bonds will be issued in book-entry-only form as described below. The Series 2018A Senior Bonds will be issued in denominations of \$5,000 or any whole multiple thereof. The Series 2018A Senior Bonds will bear interest calculated on the basis of a 360-day year.

The Series 2018A Senior Bonds are not subject to redemption at the option of the Corporation.

Book-Entry-Only System

Beneficial ownership interests in the Series 2018A Senior Bonds will be available in book-entry-only form, in Authorized Denominations. The Series 2018A Senior Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as Registered Bondholder and nominee for The Depository Trust Company (“DTC”). Purchasers of beneficial ownership interests in the Series 2018A Senior Bonds will not receive certificates representing their interests in the Series 2018A Senior Bonds purchased. See “Appendix F – Book-Entry-Only System Procedures.”

Principal and interest on the Series 2018A Senior Bonds are payable, so long as the Series 2018A Senior Bonds are in book-entry form, through a securities depository as described in “Appendix F – Book-Entry-Only System Procedures.” So long as Cede & Co. is the registered owner of Series 2018A Senior Bonds, as nominee for DTC, references herein to Bondholders or registered owners of the Series 2018A Senior Bonds (other than under the caption “Tax Matters”) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of Series 2018A Senior Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf

of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Trustee to DTC only.

NEITHER THE CORPORATION, THE TRUSTEE, NOR THE INITIAL PURCHASER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2018A SENIOR BONDS UNDER THE RESOLUTIONS; (III) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2018A SENIOR BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2018A SENIOR BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2018A SENIOR BONDS; OR (VI) ANY OTHER MATTER.

PART 7—LIMITATION ON ISSUANCE OF CERTAIN TAX AND REVENUE ANTICIPATION NOTES BY THE STATE

In order to induce prospective purchasers to purchase bonds and notes of the Corporation, the State has pledged and agreed with the holders of the bonds and notes of the Corporation, including the holders of the Bonds, that while any of the bonds or notes of the Corporation are outstanding, the State will abide by and not amend the provisions of the Act, more fully described below, limiting the issuance by the State of tax and revenue anticipation notes issued and due in the same fiscal year. The State may enact amendments which implement or clarify any ambiguity provided that they do not have a material adverse effect on the protections established by those provisions. The Corporation is authorized to include, and has included, to the fullest extent enforceable under applicable federal and State law, the foregoing pledge and agreement in the Resolutions.

The provisions of the Act limiting the issuance of tax and revenue anticipation notes of the State may be summarized as follows:

1. Except as otherwise provided in paragraph 2 below, the aggregate principal amount of tax and revenue anticipation notes issued in any fiscal year by the State and maturing in the same fiscal year shall not exceed \$4.7 billion, less the aggregate principal amount of bonds and notes theretofore issued by the Corporation exclusive of any bonds or notes issued to fund a capital reserve fund or to pay costs of issuance and exclusive of notes to renew notes and bonds to pay notes and to refund bonds.

2. The State may issue in any fiscal year tax and revenue anticipation notes in an aggregate principal amount in excess of the limit on issuance set forth in paragraph 1 above, if and only if there shall have first been executed in such fiscal year a written certificate signed by the Governor, the Temporary President of the Senate and the Speaker of the Assembly, which shall set forth:

a. the emergency or extraordinary factors or factors unanticipated at the time of adoption of the budget for the fiscal year in which such borrowing is to be made that gave rise to the need for the issuance of tax and revenue anticipation notes in excess of such limit, and

b. the amount of tax and revenue anticipation notes projected to be issued in each of the three fiscal years commencing subsequent to the fiscal year in which such limit was originally exceeded, which will result in the elimination of such excess as soon as

practicable but in no event later than by the end of the third fiscal year commencing subsequent to the fiscal year in which such limit was originally exceeded.

3. The need for the issuance referred to in subparagraph (a) of paragraph 2 above shall be in the conclusive, final and binding discretion of the signatories to the written certificate and not subject to judicial challenge or review.

4. In no event shall a written certificate referred to above be issued in more than four consecutive fiscal years.

5. In the event of any inconsistency between the foregoing provisions and any amendment to the State Constitution relating to the issuance of tax and revenue anticipation notes, the provisions of such constitutional amendment shall control.

The Corporation has acknowledged that the pledge and agreement set forth above is an important security provision of the Bonds and that any breach thereof may give rise to monetary damages. Under applicable Federal and State law, the pledge and agreement would be enforceable, provided that a court would hold that the pledge and agreement is an important security provision of the Bonds, and enforceability would be subject at all times to the proper exercise of the State's reserved police power.

The foregoing pledge and agreement only limits the issuance of tax and revenue anticipation notes issued and maturing within the same fiscal year. As the Corporation has issued its entire authorization of bonds, the State may not issue such tax and revenue anticipation notes unless the certificate described above has been executed. No statutory limitation has been placed on the principal amount of tax and revenue anticipation notes issued in one fiscal year and maturing in the next ("Deficit Notes"), and the State may issue Deficit Notes in any amount to finance a cash deficit that was unanticipated at the time the State's budget was adopted. Under existing State law, however, Deficit Notes must be paid, and not rolled over, within one year, and the Governor's Executive Budget proposed for the fiscal year in which Deficit Notes mature is required to provide for the payment thereof in a balanced budget.

The Act also states that the State pledges to and agrees with the holders of the Corporation's bonds and notes that the State will not (i) limit or alter the rights vested in the Corporation by the Act to fulfill the terms of any agreements made with the holders of the Corporation's bonds and notes, or (ii) in any way impair the rights and remedies of such holders until such bonds and notes of the Corporation, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of bonds or notes, are fully met and discharged.

Notwithstanding the State's pledges and agreements contained in the Act, the State may in the exercise of its sovereign power enact or amend its laws, which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Corporation and with the holders of the Corporation's bonds or notes.

PART 8—LEGALITY FOR INVESTMENT AND DEPOSIT

Under the Act, the Series 2018A Senior Bonds are securities in which all public officers and bodies of the State and all municipalities and political 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 now authorized or who may become authorized to invest in bonds or other obligations of the State may properly and legally invest funds, including capital, in their control or belonging to them.

The Series 2018A Senior Bonds may be deposited with and may be received by all public officers and bodies of the State and all municipalities, political subdivisions and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

PART 9—TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP and Pearlman & Miranda LLC, Co-Bond Counsel to the Corporation, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2018A Senior 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 2018A Senior Bonds is not treated as a preference item in calculating the alternative minimum tax 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 for taxable years beginning prior to January 1, 2018. In rendering their opinions, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Corporation with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2018A Senior Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Co-Bond Counsel to the Corporation, under existing statutes, interest on the Series 2018A Senior Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York and the City of Yonkers).

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Series 2018A Senior Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinion 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 2018A Senior Bonds, or 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 2018A Senior Bonds in order that interest on the Series 2018A Senior 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 2018A Senior 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 2018A Senior 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 has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2018A Senior 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 2018A Senior Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2018A Senior 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 2018A Senior Bonds.

Prospective owners of the Series 2018A Senior 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 2018A Senior 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 2018A Senior 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 2018A Senior 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 Series 2018A Senior 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 paid on tax-exempt obligations, including the Series 2018A Senior 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 2018A Senior 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 2018A Senior 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 2018A Senior Bonds under Federal or state law or otherwise prevent beneficial owners of the Series 2018A Senior 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 2018A Senior Bonds.

Prospective purchasers of the Series 2018A Senior Bonds should consult their own tax advisors regarding the foregoing matters.

See Appendix C for the proposed form of opinions of Co-Bond Counsel.

PART 10—LITIGATION

There is not now pending any litigation (i) restraining or enjoining the issuance or delivery of the Series 2018A Senior Bonds or questioning or affecting the validity of the Series 2018A Senior Bonds or the proceedings and authority under which they are issued; (ii) contesting the creation, organization or existence of the Corporation, or the title of the directors or officers of the Corporation to their respective offices; (iii) questioning the right of the Corporation to adopt the Resolutions and to pledge the Revenues and funds and other moneys and securities purported to be pledged by the Resolutions in the manner and to the extent provided in the Resolutions; or (iv) questioning or affecting the levy or collection of the Sales Tax in any material respect, or the application of the Sales Tax for the purposes contemplated by the Act, or the establishment of the Tax Fund or the procedure thereunder.

PART 11—RATINGS

The Series 2018A Senior Bonds have been assigned a rating of AAA by S&P, and Aa1 by Moody's. Ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings must be obtained from the rating agency furnishing such rating. There is no assurance that a particular rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. A downward revision or withdrawal of such ratings, or either of them, may have an effect on the market price of the Series 2018A Senior Bonds.

PART 12—VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein & Company, a firm of independent certified public accountants, will deliver to the Corporation, on or before the settlement date of the Series 2018A Senior Bonds, its report indicating that it has verified the mathematical accuracy of the computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, as shown on the schedules provided by the Financial Advisor, to pay, when due, the principal of, interest on and related call premium requirements of the Refunded Bonds.

PART 13—APPROVAL OF LEGALITY

All legal matters incident to the authorization, issuance and delivery of the Series 2018A Senior Bonds are subject to the approval of Hawkins Delafield & Wood LLP and Pearlman & Miranda LLC, Co-Bond Counsel to the Corporation. Certain legal matters are subject to the approval of the Attorney General of the State of New York, General Counsel to the Corporation. Papparone Law PLLC has acted as counsel for the Trustee.

PART 14—FINANCIAL ADVISOR

Public Resources Advisory Group is acting as financial advisor to the Corporation in connection with the issuance of the Series 2018A Senior Bonds.

PART 15—TRUSTEE

The Bank of New York Mellon (the “Trustee”) is the Trustee under the Senior Resolution and under the Subordinate Resolution. Its trust offices are located at 101 Barclay Street, Floor 7W, New York, New York, 10286. The Trustee has accepted the duties and responsibilities imposed upon it by each of the Resolutions and is vested with all of the rights, powers and duties of a trustee appointed by Bondholders pursuant to the Act. Upon the happening of an “event of default” as defined in the Senior Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Senior Bondholders. See Appendix A-1—“Summary of Certain Provisions of the Senior Resolution.” Upon the happening of an “event of default” as defined in the Subordinate Resolution, the Trustee may, and in certain circumstances is required to, proceed to protect and enforce its rights and the rights of the Subordinate Bondholders. See Appendix A-2—“Summary of Certain Provisions of the Subordinate Resolution.” In the performance of its duties, the Trustee is entitled to indemnification for any act which would involve it in expense or liability and will not be liable as a result of any action taken in connection with the performance of its duties except for its own negligence, misconduct or default or for the unexplained disappearance of funds or securities in its custody. The Trustee is protected in acting upon any direction or document reasonably believed by it to be genuine and to be signed by the proper party or parties or upon the opinion or advice of counsel. The Trustee may resign at any time upon 60 days written notice to the Corporation and publication thereof. Any such resignation shall take effect on the date specified in the notice, but in the event that a successor has been appointed, the resignation shall take effect immediately. The Trustee may acquire obligations of the Corporation for its own account. The Trustee also may in the future perform certain banking services for the Corporation.

PART 16—CONTINUING DISCLOSURE UNDER RULE 15C2-12

In order to assist the purchasers of the Series 2018A Senior Bonds in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (“Rule 15c2-12”), the State and the Corporation will undertake in a written agreement for the benefit of the holders of the Series 2018A Senior Bonds (the “Continuing Disclosure Agreement”) to provide in electronic form to the Electronic Municipal Market Access System (“EMMA”) maintained by the Municipal Securities Rulemaking Board (“MSRB”), as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year, commencing with the fiscal year ending March 31, 2018, financial information and operating data concerning the State and the sources of revenue for the Local Government Assistance Tax Fund of the type included in this Official Statement, referred to herein as “Annual Information” and described in more detail below. The 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 also 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, if and when such statements are available. In addition, the Corporation will undertake, for the benefit of the holders of the Series 2018A Senior Bonds, to electronically file with the MSRB, (i) no later than 120 days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2018, audited financial statements of the Corporation for such fiscal year and (ii) not later than ten Business Days after the occurrence of any of the events described below, the notices described below. If audited financial statements of the State or the Corporation are not available by the required filing date, then unaudited financial statements are required to be electronically filed with the MSRB

and such audited financial statements are required to be electronically filed with the MSRB if and when they become available.

The Division of Budget will electronically file with the MSRB, through its EMMA system, the Annual Information on or before 120 days after the end of each state fiscal year, commencing with the fiscal year ending March 31, 2018. The Annual Information shall consist of (a) financial information and operating data of the type included in this Official Statement under the heading “The Sales Tax,” including information relating to (1) the rate and base of the Sales Tax, together with information concerning tax imposition and collection of the Sales Tax; (2) historical information relating to Sales Tax receipts for the period of the ten most recent completed fiscal years then available, together with estimated amounts for the current fiscal year, if such estimates are available, in substance similar to Table 1 under the heading “The Sales Tax” in this Official Statement; (3) historical information setting forth monthly Sales Tax receipts for the period of the five most recent completed fiscal years then available, in substance similar to Table 2 under the heading “The Sales Tax” in this Official Statement; and (4) estimated debt service coverage in substance similar to the information set forth under “The Sales Tax—Estimated Debt Service Coverage” in this Official Statement for the most recent fiscal year available (unless, with respect to items (1) through (4) just described, the source of revenue for the payment of the Series 2018A Senior Bonds has been materially changed or modified, in which case the Annual Information will include similar information regarding such new or modified source of revenue, whether on an actual historical basis, a pro forma basis, or otherwise); (b) financial information and operating data of the type included in the Information Concerning the State of New York set forth in Appendix B hereto, 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 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 concerning the State and the sources of revenue for the Local Government Assistance Tax Fund and in judging the financial condition of the State and the Sales Tax (or other source of revenue).

The notices that the Corporation will undertake to provide as described above, include notices of any of the following events with respect to the Series 2018A Senior Bonds (each of which is described in more detail in the Continuing Disclosure Agreement): (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) issuance by the IRS of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events affecting the tax status of the security; (7) modifications to the 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; and of the following events, if material; (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; or (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

In addition, the Corporation will undertake, for the benefit of the holders of the Series 2018A Senior Bonds, to electronically file with the MSRB in a timely manner, notice of any material failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement described above is an action to compel specific performance of the undertakings of the State and the Corporation, and no person, including a holder of the Series 2018A Senior Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Subordinate Resolution. 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 Continuing 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 Corporation and the State have not in the previous five years failed to comply, in any material respects, with any previous undertakings pursuant to Rule 15c2-12. Copies of the Continuing Disclosure Agreement when executed by the parties thereto will be on file at the office of the Corporation. A complete copy of the proposed form of the Continuing Disclosure Agreement is set forth in Appendix E hereto.

PART 17—FINANCIAL STATEMENTS

The financial statements of the Corporation for its fiscal year ended March 31, 2017 and the accompanying report prepared by BST & Co. CPAs, LLP, the independent auditor of the Corporation, have been filed electronically with the MSRB and are hereby included by reference herein. BST & Co. CPAs LLP has not been engaged to perform and has not performed, since the date of its report, any procedures on the financial statements addressed in that report or performed any procedures relating to this Official Statement.

PART 18—SALE BY COMPETITIVE BIDDING

The Series 2018A Senior Bonds were awarded pursuant a competitive bidding processes on March 15, 2018. The Series 2018A Senior Bonds were sold to J.P. Morgan Securities, LLC (the "Initial Purchaser"). The Series 2018A Senior Bonds will be purchased at an aggregate price of \$270,970,087.31, which reflects an aggregate original issue premium of \$14,972,271.80 and an initial purchaser's discount of \$47,184.49.

The Initial Purchaser has supplied the information as to the initial public offering prices of the Series 2018A Senior Bonds as set forth on the inside cover of this Official Statement. The Series 2018A Senior Bonds may be offered and sold to certain dealers at prices lower than the public offering prices set forth on the inside cover page, and such public offering prices may be changed from time to time by the Initial Purchaser.

PART 19—MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Act and the Resolutions are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act and the Resolutions for full and complete statements of such provisions. Copies of the Act and the Resolutions are available at the offices of the Trustee.

The agreements of the Corporation with holders of the Series 2018A Senior Bonds are fully set forth in the Resolutions. Neither any advertisement of the Series 2018A Senior Bonds nor this Official Statement is to be construed as a contract with purchasers of the Series 2018A Senior Bonds.

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

NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION

By: /s/ Dominic Colafati
Co-Executive Director

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR RESOLUTION

Certain provisions of the Senior Resolution are summarized below. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the Senior Resolution. For a complete statement of the rights, duties and obligations of the Corporation, the Trustee and Bondholders under the Senior Resolution, refer to the Senior Resolution, copies of which are on file with the Corporation and the Trustee. Unless otherwise indicated, references to section numbers herein refer to sections in the General Senior Bond Resolution.

Certain Definitions

The following are definitions of certain of the terms defined in the Senior Resolution and used in this Official Statement. Certain other terms used in this Official Statement and not defined shall have the meanings given to such terms in the Senior Resolution.

Bondholders or Holder of Bonds or Holder (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond; provided that for purposes of the section of the General Senior Bond Resolution described in the third paragraph under the heading “Remedies” below, so long as any of the Bonds are in book-entry form, such terms shall include any owner of a beneficial interest in a Bond.

Bond Facility means any insurance policy, letter of credit or other credit enhancement or liquidity facility, agreement or arrangement referred to in subdivision 16 of Section 3235 of the Public Authorities Law, or any similar arrangement entered into for the same or similar purposes, with respect to the Bonds.

Business Day shall mean any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent or, with respect to a particular Series of Bonds, any remarketing agent, or any provider of a Bond Facility for such Series of Bonds is located, are required or are authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Capital Reserve Fund Investments means any of the following securities, if and to the extent the same are at the time legal for investment of the Corporation’s funds: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America; (ii) direct and general obligations of the State; provided that the rating thereon shall not be less than the rating on the Bonds, each as established by Fitch Investors Service, Inc., Moody’s Investors Service and Standard & Poor’s, a division of the McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such obligations of the State; (iii) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company having a combined capital and surplus of at least \$50,000,000 organized under the laws of any state of the United States of America or any national banking association (including the Trustee), which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured by such securities as are described in clause (i) above, but in any event collateralized to the level required by each of the rating agencies referred to in clause (ii) if and to the extent such firms maintain a rating on the Bonds; (iv) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which agreement is secured by any one or more of the securities described in clause (i) above; provided that any such repurchase agreement shall meet the standards of each of the rating agencies referred to in clause (ii) that are applied to the evaluation of repurchase agreements resulting in a rating not less than the rating on the Bonds if and to the extent that such firms maintain a rating on the Bonds; (v) general obligation bonds and notes of any state other than the State, and to

the extent permitted by law, general obligation bonds and notes of any political subdivision of the State or any state; provided that such bonds and notes receive the highest rating from each of Fitch Investors Service, Inc., Moody's Investors Service and Standard and Poor's, a division of the McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such bonds and notes.

Capital Reserve Fund Requirement means, as of any date of computation, an amount equal to the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Bonds shall be calculated as if such Variable Interest Rate Bonds bore interest at the maximum rate of interest permitted on such Variable Interest Rate Bonds or under the related Reimbursement Obligation; provided that for the purposes of determining the amount required to be on deposit and thereafter maintained in the Capital Reserve Fund with respect to any Series of Bonds the interest on which is excludable from gross income for Federal income tax purposes, the Capital Reserve Fund Requirement shall at no time exceed the sum of the Capital Reserve Fund Requirement immediately prior to the issuance of such Series and an amount equal to ten per centum (10%) of the proceeds (as such term is used in Section 148(d) of the Code) from the sale of such Series.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Commissioner of Taxation and Finance means the Commissioner of Taxation and Finance of the State.

Comptroller means the Comptroller of the State.

Debt Service Fund Investments means, if and to the extent the securities are legal for investment of the Corporation's funds, the securities described in (i), (iii) and (iv) in the definition of Capital Reserve Fund Investments.

Director of the Budget means the Director of the Budget of the State.

Excess Earnings means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount that would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

Fiduciary or *Fiduciaries* means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiscal Year means the fiscal year of the Corporation as determined from time to time by the Corporation, which as of the date of the General Senior Bond Resolution ends March 31.

Gross Proceeds means, with respect to a Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Corporation from the sale of a Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Capital Reserve Fund, (v) securities or obligations pledged by the Corporation as security for payment of debt service on the Bonds,

(vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on a Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Information Services means Bloomberg Municipal Repository, DPC Data Inc., FT Interactive Data, NRMSIR, Standard and Poor's, and J.J. Kenny Repository, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or any other such services as the Corporation may designate in writing to the Trustee.

Local Government Assistance Tax Fund means the fund by that name established under Section 92-r of the State Finance Law.

Note or *Notes* means any short-term evidence of indebtedness or the renewals thereof or other similar obligation (other than Bonds, Reimbursement Obligations, Swap Payments or Other Obligations) issued by the Corporation.

Note Amortization Payment means, with respect to any Note, any required or scheduled amortization payment of the principal amount of such Note, as required by the terms of such Note, under any resolution authorizing the issuance of such Note, or under subdivision 9 of Section 3236 of the Public Authorities Law.

Operating Expenses means the Corporation's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and shall include, without limiting the generality of the foregoing: salaries, administrative expenses, insurance premiums, fees, expenses, indemnification or other similar charges payable to providers of a Surety or a Bond Facility or similar facility with respect to Notes, fees, expenses, indemnification or other similar obligations payable under any Swap or Swap Facility (net of any payments for similar expenses received by the Corporation), auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees for issuing and paying agents, remarketing agents and dealers, rating agencies, transfer or information agents, the publication of advertisements and notices, printers, fees or charges incurred by the Corporation to comply with applicable Federal and State securities or tax laws and any costs of issuance in excess of the amount provided therefor in the proceeds of the sale of Bonds or Notes, and any other operating expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, and the General Senior Bond Resolution.

Other Obligations means any obligations evidencing indebtedness (other than Bonds, Notes, and Reimbursement Obligations) issued by the Corporation and does not include any Swap Payments or payments under other financial instruments not evidencing indebtedness entered into by the Corporation.

Outstanding, when used with reference to Bonds, other than Bonds owned or held by or for the account of the Corporation, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Senior Bond Resolution, except: (i) any Bonds canceled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agent in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in the General Senior Bond Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Senior Bond Resolution, and (iv) Bonds deemed to have been paid as provided in the General Senior Bond Resolution unless a Series Resolution provides that Bonds of a Series having the benefit of a Bond Facility shall not thereby be deemed paid if payment is provided by the Bond Facility. If principal of a Bond is paid or redeemed by the provider of a Bond Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond in lieu of the Bond so paid or redeemed,

but only to the extent that principal of the Bond was so paid or redeemed, at the interest rate provided in the Reimbursement Obligation.

Principal means (i) in the case of references to the principal amount of capital appreciation Bonds, deferred income Bonds or other similar Bonds the payment of interest on which is deferred, the appreciated value of such Bonds, calculated as prescribed in the applicable Series Resolution, and (ii) in the case of references to the principal amount of any other Bonds, the principal amount at maturity thereof.

Public Authorities Law means the Public Authorities Law of the State, as amended by the Act, and except as otherwise specified in the General Senior Bond Resolution, as from time to time amended and then in effect.

Redemption Price means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Senior Bond Resolution and the Series Resolution pursuant to which the same was issued.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the General Senior Bond Resolution.

Reimbursement Obligation means any obligation of the Corporation to make payments to a provider of a Bond Facility or Surety in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Series Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (i) any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Operating Expenses or (ii) 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, which payments shall be Other Obligations. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

Revenues means all aid, rents, fees, charges, payments and other income and receipts paid to the Corporation or to the Trustee for the account of the Corporation, including, without limitation, any payment required to be made to the Corporation pursuant to the Act or under any Swap (except for payments for Operating Expenses under such Swap).

Sales Tax means the sales and compensating use taxes (including interest and penalties) imposed State-wide at the rate of four percent by Sections 1105 and 1110 of the Tax Law of the State, or any successor or substitute provisions thereof.

1% Sales Tax means that portion of the Sales Tax in an amount equal to the amount attributable to a one percent rate of taxation, less collection expenses and such amounts as the Commissioner of Taxation and Finance may determine to be necessary for refunds thereof, which is required to be deposited in the Local Government Assistance Tax Fund pursuant to Section 92-r of the State Finance Law.

Securities Depositories means The Depository Trust Company or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other securities depositories or any such other depositories as the Corporation may designate in writing to the Trustee.

Serial Bonds means the bonds so designated in a Series Resolution.

Series of Bonds or Bonds of a Series or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

Sinking Fund Installment means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the General Senior Bond Resolution or the applicable Series Resolution to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

State means the State of New York.

State Finance Law means the State Finance Law of the State, as amended by the Act, and except as otherwise specified in the General Senior Bond Resolution, as from time to time amended and then in effect.

Surety means any surety agreement, insurance agreement, letters of credit or other type of agreement or arrangement satisfying the provisions of the General Senior Bond Resolution or of any applicable Series Resolution, each of which provides for the availability, at all times required under the General Senior Bond Resolution or under any Series Resolution, of the amount of money or the value of the obligations in lieu of the deposit of which such agreement or arrangement is provided, all as described in or contemplated by subdivision 2 of Section 3237 of the Public Authorities Law; provided that the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service; provided further that if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. and Moody's Investors Service.

Swap means any interest rate exchange or similar arrangements described in or contemplated by subdivision 17 of Section 3235 of the Public Authorities Law or any similar arrangement entered into for the same or similar purposes.

Swap Facility means an insurance policy, letter of credit or other credit enhancement with respect to a Swap, as described in or contemplated in subdivision 18 of Section 3235 of the Public Authorities Law, or any similar facility entered into for the same or similar purposes. Payments under a Swap Facility applicable to the interest rate exchange effected under the related Swap shall be deemed Swap Payments under the General Senior Bond Resolution and shall not be deemed Reimbursement Obligations. Payment under a Swap Facility applicable to any fees, expenses, indemnification or other charges or obligations thereunder shall be Operating Expenses.

Swap Payment means any payment required to be made by the Corporation under a Swap that is applicable to the interest rate exchange effected thereunder, but not any fees, expenses, indemnification or other charges or obligations thereunder, which shall be Operating Expenses.

Variable Interest Rate means a variable interest rate to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds or the Comptroller's Series Certificate relating thereto. Such Series Resolution or Comptroller's Series Certificate shall also specify either (i) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

Variable Interest Rate Bonds means Bonds which bear a Variable Interest Rate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued by the General Senior Bond Resolution by those who shall hold the same from time to time, the General Senior Bond Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Holders from time to time of the Bonds; and the pledge made in the General Senior Bond Resolution and the covenants and agreements set forth in the General Senior Bond Resolution to be performed on behalf of the Corporation 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 General Senior Bond Resolution.

(Section 103)

Provisions for Refunding Bonds

Subject to certain requirements set forth in the General Senior Bond Resolution, all or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds, or to refund all Senior Bonds or any part of one or more Series of Senior Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Senior Bond Resolution and the Series Resolution authorizing said Series of Refunding Bonds.

(Section 203)

Agreement with Comptroller

As of the date of sale of any Bonds, Notes or Other Obligations, the Corporation shall have entered into an agreement with the Comptroller pursuant to which the Comptroller shall have been designated the exclusive agent of the Corporation for the sale of such Bonds, Notes or Other Obligations.

(Section 205)

Notice of Redemption

Whenever Bonds are to be redeemed pursuant to the General Senior Bond Resolution, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Bonds, by first-class mail, postage prepaid to the registered owners of Bonds of the Series which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Corporation and to any applicable provider of a Bond Facility at least 30 days but not more than 45 days prior to the redemption date and a second notice of redemption shall be sent by registered or certified mail at such address to any registered owner who has not submitted his Bonds to the Trustee or Paying Agent for payment on or before the date sixty days following the date fixed for redemption. Such notices shall specify the Series and maturities of the 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 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of registered 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 such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The failure of any such owner to receive notice shall not affect the validity of the proceedings for the redemption of Bonds. If directed in writing by the Corporation, the Trustee shall give notice also by publication once a week for at least two (2) successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty (30) or more than sixty (60) days prior to the redemption date. In case it shall be impossible to make publication of any required notice as

provided in the General Senior Bond Resolution, then such publication or other notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice, provided that such publication or other notice shall, so far as may be possible, approximate the terms and conditions of the publication in lieu of which it is given.

The Trustee shall also send any required notice of redemption by first-class mail, postage prepaid to certain municipal registered Securities Depositories which are known to the Trustee to be holding Bonds of such Series and to at least two of the national Information Services that disseminate securities redemption notices at least 30 but no more than 45 days prior to the date fixed for redemption; provided that neither failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series of Bonds.

(Section 405)

Application of Certain Proceeds

Except as otherwise specified in the General Senior Bond Resolution or in the applicable Series Resolution, the Corporation shall apply the amount of the proceeds derived from the sale of each Series of Bonds to the Bond Proceeds Fund. Accrued interest, if any, received upon the delivery of such Series of Bonds shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as capitalized interest upon the delivery of such Series and any interest earned on amounts on deposit in the Bond Proceeds Fund shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as a premium over the principal amount of such Series of Bonds, if any, upon the delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.

The Corporation is authorized to establish separate accounts within the Bond Proceeds Fund to be designated, respectively, the “Costs of Issuance Account,” into which moneys in the Bond Proceeds Fund shall be deposited for the purpose of making the payments described in clause (i) under the heading “Application of Bond Proceeds Fund” below, into which moneys in the Bond Proceeds Fund shall be deposited for the purposes of making the payments described in clause (iii) under the heading “Application of Bond Proceeds Fund” below.

By Series Resolution, the Corporation may designate one or more accounts in the Bond Proceeds Fund as a “Bond Anticipation Note Account—Series __” into which moneys in the Bond Proceeds Fund, derived from any Series of Bonds, in anticipation of the issuance of which notes designated as bond anticipation notes have been issued, shall be deposited for the purpose described in clause (ii) under the heading “Application of Bond Proceeds Fund” below. By Series Resolution, the Corporation may pledge and grant a lien on the moneys in such account to the holders of the bond anticipation notes for the payment of which such Series of Bonds has been issued.

(Section 501)

Application of Bond Proceeds Fund

Unless otherwise specified in the applicable Series Resolution, moneys in the Bond Proceeds Fund, or any accounts therein, shall be applied for any one or more of the following purposes:

- (i) payment of costs of issuance at the direction of any Authorized Officer of the Corporation;
- (ii) payment of the principal amount of Notes that have been designated as bond anticipation notes by the Corporation at the maturity or earlier redemption thereof, if authorized by the Series Resolution authorizing such Bonds; and

(iii) payments to local governments for any or all of the purposes set forth in subdivisions 1, 2 and 3 of Section 3238 of the Public Authorities Law as amended to the date of adoption of the General Senior Bond Resolution, at the direction of an Authorized Officer of the Corporation; provided that appropriations to effect such purposes may be made after the date of adoption of the General Senior Bond Resolution.

(Section 502)

The Pledge Effected by the General Senior Bond Resolution

The Revenues and all funds (other than the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) established by the General Senior Bond Resolution, and other moneys and securities referred to in the General Senior Bond Resolution (other than moneys and securities in the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the General Senior Bond Resolution, subject only to the provisions of the General Senior Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Senior Bond Resolution. The pledge made by the General Senior Bond Resolution shall be valid and binding from and after the time of adoption of the General Senior Bond Resolution. The Revenues thereafter received by the Corporation and all funds and other moneys and securities therein pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof.

(Section 601)

Establishment of Funds

In addition to the Bond Proceeds Fund established under the General Senior Bond Resolution, the following funds are established in the custody of the Trustee:

Operating Fund,
Debt Service Fund,
Capital Reserve Fund,
Rebate Fund, and
Subordinated Payment Fund.

Accounts and subaccounts within each of the foregoing funds or temporary accounts for the payment of costs of issuance or capitalized interest may from time to time be established in accordance with a Series Resolution or upon the direction of the Corporation.

(Section 602)

Application of Payments

The payments received in accordance with subdivision 3 of Section 3240 of the Public Authorities Law shall be applied to the Rebate Fund, the Operating Fund, the Debt Service Fund, the Capital Reserve Fund and the Subordinated Payment Fund in accordance with certificates of an Authorized Officer pursuant to which the payment is made, provided, however, that if the amount of payment is less than the amount certified, the payment shall be applied, first, to the Rebate Fund, second, to the Debt Service Fund, third, to the Capital Reserve Fund, fourth, to the Operating Fund, and fifth, to the Subordinated Payment Fund; and provided further that (i) no moneys shall be deposited into the Subordinated Payment Fund unless the Comptroller, in his sole and exclusive judgment, which judgment shall be reasonable, makes a determination in writing to the Corporation that upon such deposit, amounts to be derived from the 1% Sales Tax will be sufficient to meet all requirements of the Debt Service Fund and Capital Reserve Fund during the period in which the set aside

payment requirements for each such Fund are applicable pursuant to paragraph (b) of subdivision 5 of Section 92-r of the State Finance Law, and (ii) if and to the extent the Comptroller does not make such determination, moneys otherwise to be deposited in the Subordinated Payment Fund shall be deposited into the Debt Service Fund to be applied as required under the General Senior Bond Resolution. Payments received by the Corporation under any Swap applied to the interest exchange thereby effected shall be applied to the Debt Service Fund and payments thereunder for Operating Expenses shall be applied to the Operating Fund.

(Section 603)

Operating Fund

The Trustee shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses at the written direction of the Corporation.

(Section 604)

Debt Service Fund

The Trustee shall pay, on or before the Business Day preceding each interest payment date for any of the Bonds, out of the amounts then held in the Debt Service Fund, to itself and the Paying Agent, the amounts respectively required for the payment of principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on any Bonds or any related Reimbursement Obligation due and payable on such date, and such amounts so paid out shall be irrevocably pledged to and applied to such payments.

In the event that on the Business Day preceding any interest payment date, the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and for the payment of the principal and Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such interest payment date, or any related Reimbursement Obligation, the Trustee shall withdraw from the Capital Reserve Fund and deposit into the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payment or payments.

As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to the General Senior Bond Resolution on such due date, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Term Bonds of such Series and maturity or the payment of any related Reimbursement Obligation. The Trustee shall so call such Term Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable principal amount thereof, together with interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agent, on the day preceding each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption or the payment of any related Reimbursement Obligation, and such amount shall be applied by such Paying Agent to such redemption or payment.

The Corporation may, at any time prior to the forty-fifth day preceding the day on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys in the Debt Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase in the case of current interest obligations or at a price not in excess of accreted value in the case of capital appreciation obligations, Term Bonds payable from such Sinking Fund Installment and any Term Bonds so purchased shall be cancelled by the Trustee and the aggregate principal amount of the Term Bonds so purchased shall be credited against the Sinking Fund Installment next due.

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments shall have been established, other than by application of moneys described in the preceding paragraph, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the Sinking Fund Installment

in such order or proportionate amount as shall be specified by the Corporation in an applicable Series Resolution or otherwise with respect to the Bonds of such maturity.
(Section 605)

Capital Reserve Fund

The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to subdivisions 1 and 4 of Section 3240 of the Public Authorities Law for the purpose of maintaining or restoring the amount in the Capital Reserve Fund to the amount of the Capital Reserve Fund Requirement; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by the applicable Series Resolution; (iii) any Surety as may be authorized by the General Senior Bond Resolution or by the applicable Series Resolution; and (iv) any other moneys which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

Moneys and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the General Senior Bond Resolution. At any time moneys and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon written direction of the Corporation, may be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund, subject to the provisions of the General Senior Bond Resolution described in the following two paragraphs.

Any income or interest earned on investments in the Capital Reserve Fund in excess of the amount needed to pay interest on the Bonds issued to fund the Capital Reserve Fund (and in excess of the Capital Reserve Fund Requirement) and not required to be rebated to the Department of the Treasury of the United States of America pursuant to the General Senior Bond Resolution shall be withdrawn by the Trustee at the written direction of an Authorized Officer of the Corporation and deposited to the credit of the Debt Service Fund to be applied as provided in the General Senior Bond Resolution.

The Corporation may deposit a Surety in the Capital Reserve Fund in substitution for an equal amount of moneys or securities then on deposit in the Capital Reserve Fund, provided that any such moneys or securities released from the Capital Reserve Fund shall be deposited to the credit of the Debt Service Fund to be applied at the written direction of an Authorized Officer of the Corporation to the redemption of Bonds on the first date on which such Bonds are subject to redemption, or by the Trustee in the case of an acceleration as a result of a continuing event of default under the General Senior Bond Resolution and subject to certain other provisions of the General Senior Bond Resolution. Any moneys or securities released from the Capital Reserve Fund as a result of an issue of refunding bonds shall be applied as though such moneys were released from the Capital Reserve Fund as a result of a deposit of a Surety under the provisions of the General Senior Bond Resolution described in this paragraph except that such moneys may be applied to fund a capital reserve fund for Notes or Other Obligations issued by the Corporation and payable from the Subordinated Payment Fund.
(Section 606)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the Corporation for deposit therein and, notwithstanding any other provisions of the General Senior Bond Resolution, shall transfer to the Rebate Fund, in accordance with the written directions of an Authorized Officer of the Corporation, moneys on deposit in any other funds held by the Trustee under the General Senior Bond 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 an Authorized Officer of the Corporation to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Corporation shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an

Authorized Officer of the Corporation determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the written directions of such Authorized Officer.

If and to the extent required by the Code, the Corporation shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee in writing to (i) transfer from any other of the funds and accounts held by the Trustee under the General Senior Bond Resolution and deposit to the Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) 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 607)

Subordinated Payment Fund

Subject to the provisions of the General Senior Bond Resolution described above under the heading "Application of Payments," the Corporation shall deposit into the Subordinated Payment Fund all moneys paid to the Corporation under the Act or otherwise for (i) payments on any Notes or Other Obligations, (ii) Swap Payments or payments on other financial instruments entered into by the Corporation, (iii) payments for certain mandatory purchases or redemption referred to in the General Senior Bond Resolution.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in the provisions of the General Senior Bond Resolution summarized in the first paragraph under this heading, pursuant to any resolution adopted by, or otherwise at the written direction of, the Corporation.
(Section 608)

Investment of Funds and Accounts

Except for money on deposit in the Debt Service Fund and the Capital Reserve Fund, moneys in the funds and accounts under the General Senior Bond Resolution shall be invested in obligations in which the Comptroller is authorized to invest pursuant to Section 98-a of the State Finance Law as then in effect, except as may be otherwise limited by Supplemental Resolution or Series Resolution. Moneys on deposit in the Debt Service Fund shall be invested in Debt Service Fund Investments. Moneys on deposit in the Capital Reserve Fund shall be invested in Capital Reserve Fund Investments.

In computing the value of any fund or account held by the Trustee under the provisions of the General Senior Bond Resolution, obligations purchased as an investment of moneys therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. In computing the value of the Capital Reserve Fund, obligations in which all or a portion of such fund shall be invested shall be valued at par if purchased at par or, if purchased at a premium above or a discount below par, the value at any given date obtained by dividing the total premium or discount at which such obligations were purchased by the number of interest payment dates remaining to maturity on such obligations after such purchase, and by multiplying the number so calculated by the number of interest payment dates having passed since the date of such purchase and (i) in the case of such obligations purchased at a premium, by deducting the product thus obtained from the purchase price; and (ii) in the case of such obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Except as otherwise provided in the General Senior Bond Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to the General Senior Bond Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of the General Senior Bond Resolution as of the end of the preceding month.

Except as otherwise provided in the section of the General Senior Bond Resolution described in the following paragraph, (i) the Corporation delegates to the Comptroller the power and duty to make, subject to the provisions of the General Senior Bond Resolution, any and all investment decisions respecting moneys in the funds and accounts under the General Senior Bond Resolution, and the Trustee shall, with respect to the investment of moneys held in the funds and accounts under the General Senior Bond Resolution, act at the written direction of the Comptroller or his authorized representative as specified in the provisions of the General Senior Bond Resolution summarized under this heading; (ii) the Comptroller shall determine the securities and other investments in which moneys held in the funds and accounts under the General Senior Bond Resolution shall be invested, shall order any and all purchases and sales of securities in the funds and accounts under the General Senior Bond Resolution, and shall authorize and direct the Trustee orally or by facsimile transmission, promptly confirmed in writing to deliver, redeliver or receive any and all securities held or to be held in the funds and accounts under the General Senior Bond Resolution; and (iii) subject to compliance with the provisions of the General Senior Bond Resolution described in the first paragraph under this heading, the Trustee shall not be responsible for making any investment decisions under the provisions of the General Senior Bond Resolution summarized in this paragraph; provided, however, that the liability of the Trustee for any and all actions with respect to securities in and investments of the funds and accounts under the General Senior Bond Resolution shall be as provided in the General Senior Bond Resolution.

The Comptroller may withdraw, or the Corporation may release the Comptroller, from his powers and duties specified in the provisions of the General Senior Bond Resolution summarized under this heading relating to the investment of funds and accounts held under the General Senior Bond Resolution, each by delivery of ten days' prior written notice to the other and to the Trustee. Upon any such withdrawal or release, moneys in the funds and accounts under the General Senior Bond Resolution shall be invested by the Trustee in accordance with the General Senior Bond Resolution, upon direction of the Corporation in writing, signed by an Authorized Officer.

(Section 701)

Creation of Liens

The Corporation shall not issue any bonds or other evidences of indebtedness, other than the Bonds or any related Reimbursement Obligations, secured by a pledge of the Revenues or any moneys and securities in the Debt Service Fund or the Capital Reserve Fund, and shall not create or cause to be created any lien or charge equal or prior to the Bonds or any related Reimbursement Obligations on Revenues or on any moneys and securities in the Debt Service Fund or the Capital Reserve Fund.

(Section 907)

Tax Exemption

The Corporation may include in the applicable Series Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds; provided, however, that nothing in the General Senior Bond Resolution shall be construed to preclude the Corporation from issuing Bonds the interest on which is not intended to be excluded from gross income, and is therefore taxable, for purposes of federal income taxation.

(Section 908)

In order to maintain the exclusion from gross income for purposes of Federal income taxation of interest on the Series 2018A Bonds, the Corporation covenants to comply with the provisions of the Code, and any regulations or rulings issued thereunder, applicable to the Series 2018A Bonds. Further, the Corporation covenants that it will not take any action or fail to take any action that would cause the Series 2018A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. In fulfilling the covenants set forth in the section of the Series 2018A Senior Resolution described in this paragraph, the Corporation agrees to instruct all parties acting by or on behalf of the Corporation or in any manner with respect to the Series 2018A Bonds regarding all acts necessary to satisfy and fulfill such covenants. Notwithstanding any provision of the

Series 2018A Senior Resolution to the contrary, so long as necessary in order to maintain the exclusion of interest on the Series 2018A Bonds from gross income for Federal income tax purposes under Section 103 of the Code, the covenant contained in this paragraph shall survive payment of the Series 2018A Bonds, including any payment or defeasance thereof pursuant to the General Senior Bond Resolution.
(Series 2018A Senior Resolution, Section 5.02)

Agreement With the Director of the Budget

The Corporation shall enter into one or more agreements with the State, acting through the Director of the Budget, as provided in subdivision 5 of Section 3240 of the Public Authorities Law providing for the specific manner, timing and amount of payments to be made to the Corporation under Section 3240 of the Public Authorities Law and the General Senior Bond Resolution. Because the Comptroller is required to make the payments described under Section 3240 of the Public Authorities Law, the Comptroller shall have acknowledged, agreed to and approved such agreement, which, to ensure that payments under such Section will be made in the specified manner, timing and amounts provided in such agreement, may require the Comptroller to invest moneys derived from the 1% Sales Tax and required to be retained or set aside in the Local Government Assistance Tax Fund in Debt Service Fund Investments. The Corporation shall approve the form and substance of such agreement with respect to any Series of Bonds prior to or concurrently with the applicable Series Resolution and shall take all steps necessary or appropriate to enforce such agreement and to assure compliance by the State with such agreement. The Corporation shall not enter into any such agreement that is not in conformity with the Act and the General Senior Bond Resolution.
(Section 910)

Purposes for Which Bonds May Be Issued

Except for Bonds, Notes or Other Obligations issued to fund a capital reserve fund, to provide for capitalized interest, and to pay costs of issuance thereof, the Corporation shall not issue any Bonds, Notes, or Other Obligations, except for the purposes specified in Sections 3236 and 3238 of the Public Authorities Law, as amended to the date of adoption of the General Senior Bond Resolution; provided that appropriations to effect such purposes may be made after the date of adoption of the General Senior Bond Resolution.
(Section 911)

Accounts and Reports

The Corporation shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made for its transactions relating to all funds established by the General Senior Bond Resolution which shall at all reasonable times be subject to the inspection of the Holder of an aggregate of not less than five per centum (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.
(Section 912)

Surety or Bond Facility

Pursuant to the applicable Series Resolution, the Corporation may include any or all of the covenants and agreements set forth in the General Senior Bond Resolution in an agreement with the provider of a Surety or Bond Facility.
(Section 914)

Modification and Amendment Without Consent

The Corporation may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy

thereof certified by an Authorized Officer: (i) to provide for the issuance of a Series of Bonds pursuant to the provisions of the General Senior Bond Resolution; (ii) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Senior Bond Resolution; (iii) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (iv) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the General Senior Bond Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Senior Bond Resolution; (v) to confirm as further assurance any pledge under the General Senior Bond Resolution subject to any lien, claim or pledge created or to be created by the provisions of the General Senior Bond Resolution, of the Revenues or of any other moneys, securities or funds; (vi) to modify any of the provisions of the General Senior Bond Resolution or any previously adopted Series Resolutions in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or (vii) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provisions in the General Senior Bond Resolution or to insert such provisions clarifying matters or questions arising under the General Senior Bond Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the General Senior Bond Resolution as theretofore in effect.

(Section 1001)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the General Senior Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the General Senior Bond Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer.

(Section 1002)

Powers of Amendment

Any modification or amendment of the General Senior Bond Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds under the General Senior Bond Resolution, may be made by a Supplemental Resolution, with the written consent given as provided in the General Senior Bond Resolution, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment 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 the section of the General Senior Bond Resolution described under this heading. 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 Holder of such Bond, 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. For the purposes of the section of the General Senior Bond Resolution described under this heading, a Series shall be deemed to be affected by a modification or amendment of the

General Senior Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Senior Bond Resolution and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the General Senior Bond Resolution.
(Section 1101)

Consent of Bondholders

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Senior Bond Resolution described above under the heading "Powers of Amendment" to take effect when and as provided in the section of the General Senior Bond Resolution described under this heading. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Corporation to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the section of the General Senior Bond Resolution summarized under this heading). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee certain documents required by the General Senior Bond Resolution and (b) a notice shall have been published as provided in the General Senior Bond Resolution. Each such consent shall be effective only if accompanied by proof of the holding 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 General Senior Bond Resolution. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, 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 the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee described under this heading is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the General Senior Bond Resolution. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the General Senior Bond Resolution, shall be given to Bondholders by the Corporation by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the General Senior Bond Resolution) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided for in the General Senior Bond Resolution is filed. A transcript, consisting of the papers required or permitted by the section of the General Senior Bond Resolution described under this heading to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, 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 thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to

take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.
(Section 1102)

Consent of Provider of Bond Facility

For purposes of Article XI of the General Senior Bond Resolution, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Series Resolution.
(Section 1107)

Events of Default

Each of the following events is declared an “event of default” under the General Senior Bond Resolution:

(i) the Corporation shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise or the Corporation shall default in the payment of interest on any of the Bonds; or

(ii) the Chairperson of the Corporation shall fail or refuse to comply with the provisions of subdivision 1 of Section 3240 of the Public Authorities Law and such failure or refusal shall continue for a period of thirty (30) days, or the Comptroller shall fail to pay to the Corporation, as and when provided by subdivision 2 of such Section, any amount or amounts as shall be certified by the Chairperson pursuant to subdivision 1 of such Section, or the Corporation shall fail or refuse to deposit in the Capital Reserve Fund or the Debt Service Fund the amount or amounts received by the Corporation for deposit in such funds, respectively; or

(iii) the State shall amend, alter, repeal or fail to comply with the provisions of subdivision 2 of Section 3241 of the Public Authorities Law as in effect on the date of adoption of the General Senior Bond Resolution or shall, except as expressly provided in such subdivision 2, amend, alter, or repeal, or fail to comply with, the provisions of Section 3241-a of the Public Authorities Law as in effect on the date of adoption of the General Senior Bond Resolution; or

(iv) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by him pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Chairperson pursuant to subdivision 1 of Section 3240 of the Public Authorities Law 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

(v) the Trustee shall have withdrawn amounts from the Capital Reserve Fund pursuant to the provisions of the General Senior Bond Resolution described in the second paragraph under the heading “Debt Service Fund” above resulting in a deficiency therein, and the Capital Reserve Fund shall not be restored to the Capital Reserve Fund Requirement within 120 days thereafter; or

(vi) the State shall have enacted a moratorium or other similar law affecting the Bonds; or

(vii) the State or any officer of the State shall fail or refuse to comply with any provision of Section 92-r of the State Finance Law; or,

(viii) the State shall fail or refuse to comply with the provisions of any agreement described in subdivision 5 of Section 3240 of the Public Authorities Law between the State, acting

through the Director of the Budget, and the Corporation providing for the specific manner, timing and amount of payments to be made to the Corporation; or

(ix) the Corporation shall fail or refuse to comply with the provisions of the Act, as then in effect, other than as provided in (iii) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the General Senior Bond Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or by the Holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds;

provided that nothing in the section of the General Senior Bond Resolution described under this heading may be construed to restrict the right of the State under subdivision 6 of Section 3240 of the Public Authorities Law to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax without giving rise to an event of default under the General Senior Bond Resolution.

(Section 1202)

Remedies

Upon the happening and continuance of any event of default described in clause (i) under the heading “Events of Default” above, the Trustee shall proceed, or upon the happening and continuance of any other event of default described under the heading “Events of Default” above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law, including without limitation an action for damages, or in equity, to enforce all rights of the Bondholders, and to require the Corporation, and to the fullest extent permitted by applicable Federal and State law, the State, to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds; (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and (v) upon 30 days’ notice to the Corporation, the Governor, the Comptroller, the Temporary President of the Senate, the Speaker of the Assembly and the Attorney General of the State, in accordance with the provisions of Section 3243 of the Public Authorities Law, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences; provided that nothing in the General Senior Bond Resolution shall preclude the Corporation from agreeing that consent of the provider of a Bond Facility is required for an acceleration of related Bonds in an event of default other than a failure to pay principal of or interest on the Bonds when due, as described in the last paragraph under this heading; provided further that the absence of such consent shall not limit the right of the Trustee to make such declaration with respect to all other Outstanding Bonds as provided in clause (v) above and upon consent of the Holders of twenty-five per centum (25%) in principal amount of all Outstanding Bonds.

In the enforcement of any remedy under the General Senior Bond Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, interest or otherwise, under any provision of the General Senior Bond Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Senior Bond Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any

manner provided by law, the moneys adjudged or decreed to be payable, all in accordance with the provisions of the Act.

Notwithstanding the provisions of the General Senior Bond Resolution described above under this heading, upon the happening and continuance of any event of default described in clause (iii) under the heading "Events of Default" above, a Bondholder may proceed, in his own name, to protect and enforce his rights by taking such action as he shall deem most effectual to protect and enforce such rights, including, without limitation, the actions specified in clauses (i), (ii), (iii) and (iv) above.

All remedies conferred upon or reserved to the Holders of Bonds under the General Senior Bond Resolution may also be conferred upon and reserved to the provider of a related Bond Facility authorized by a Series Resolution and may be cumulative as provided in the General Senior Bond Resolution. Nothing in the General Senior Bond Resolution shall preclude the Corporation from providing in an applicable Series Resolution, or in any Bond Facility authorized thereby, that the exercise of any remedy, including without limitation acceleration or annulment, under the General Senior Bond Resolution or the waiver of any event of default under the General Senior Bond Resolution by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility.

(Section 1203)

Bondholders' Direction of Proceedings

Anything in the General Senior Bond Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the General Senior Bond Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the General Senior Bond Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 1206)

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Senior Bond Resolution, or for the protection or enforcement of any right under the General Senior Bond Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and, except as described above under the heading "Remedies," unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the General Senior Bond Resolution or under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply 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 powers under the General Senior Bond Resolution or for any other remedy under the General Senior Bond Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured by the General Senior Bond Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Senior Bond Resolution, or to enforce any right under the General Senior Bond Resolution or under law with respect to the Bonds or the General Senior Bond Resolution, except in the manner provided in the General Senior Bond Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the General Senior Bond Resolution and for the benefit of all Holders of the Outstanding Bonds.

Notwithstanding the foregoing provisions of the section of the General Senior Bond Resolution described under this heading or any other provisions of Article XI of the General Senior Bond Resolution, the obligation of the Corporation shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing in the General Senior Bond Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in the General Senior Bond Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Senior Bond Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of the General Senior Bond Resolution described in this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

(Section 1207)

No Waiver of Default

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 General Senior Bond Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(Section 1210)

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Senior Bond Resolution known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Sinking Fund Installment, or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Operating Fund, the Debt Service Fund or the Capital Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing such written notice thereof: (i) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (ii) to such other persons as is required by law.

(Section 1211)

Defeasance

If the Corporation shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Senior Bond Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In

such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the General Senior Bond Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in the provisions of the General Senior Bond Resolution described in the preceding paragraph. All Outstanding 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 provisions of the General Senior Bond Resolution described in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in the General Senior Bond Resolution on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under the General Senior Bond Resolution, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay, when due, the principal 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 thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the section of the General Senior Bond Resolution described under this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to the provisions of the General Senior Bond Resolution described under this heading and principal or interest payments on any such securities shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date

when such Bonds become due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.

(Section 1401)

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**SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL SUBORDINATE LIEN
RESOLUTION**

Certain provisions of the General Subordinate Lien Resolution are summarized below. The summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by, the General Subordinate Lien Resolution. For a complete statement of the rights, duties and obligations of the Corporation, the Trustee and Bondholders under the General Subordinate Lien Resolution, refer to the General Subordinate Lien Resolution, copies of which are on file with the Corporation and the Trustee. Unless otherwise indicated, references to section numbers herein refer to sections in the General Subordinate Lien Bond Resolution.

Certain Definitions

The following are definitions of certain of the terms defined in the General Subordinate Lien Resolution and used in this Official Statement. Certain other terms used in this Official Statement and not defined shall have the meanings given to such terms in the Resolution.

Bondholders or Holder of Bonds or Holder (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond; provided that for purposes of the section of the General Subordinate Lien Bond Resolution described in the third paragraph under the heading “Remedies” below, so long as any of the Bonds are in book-entry form, such terms shall include any owner of a beneficial interest in a Bond.

Bond Facility means any insurance policy, letter of credit or other credit enhancement or liquidity facility, agreement or arrangement referred to in subdivision 16 of Section 3235 of the Public Authorities Law, or any similar arrangement entered into for the same or similar purposes, with respect to the Bonds.

Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent or, with respect to a particular Series of Bonds, any remarketing agent, or any provider of a Bond Facility for such Series of Bonds is located, are required or are authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Capital Reserve Fund Investments means any of the following securities, if and to the extent the same are at the time legal for investment of the Corporation’s funds: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America; (ii) direct and general obligations of the State; provided that the rating thereon shall not be less than the rating on the Bonds, each as established by Fitch Investors Service, Inc., Moody’s Investors Service and Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such obligations of the State; (iii) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company having a combined capital and surplus of at least \$50,000,000 organized under the laws of any state of the United States of America or any national banking association (including the Trustee), which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured by such securities as are described in clause (i) above, but in any event collateralized to the level required by each of the rating agencies referred to in clause (ii) if and to the extent such firms maintain a rating on the Bonds; (iv) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association (including the Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which agreement is secured by any one or more of the securities described in clause (i) above; provided that any such repurchase agreement shall meet the standards of each of the rating agencies referred to in clause (ii) that are applied to the evaluation of repurchase

agreements resulting in a rating not less than the rating on the Bonds if and to the extent that such firms maintain a rating on the Bonds; (v) general obligation bonds and notes of any state other than the State, and to the extent permitted by law, general obligation bonds and notes of any political subdivision of the State or any state; provided that such bonds and notes receive the highest rating from each of Fitch Investors Service, Inc., Moody's Investors Service and Standard and Poor's, a division of The McGraw-Hill Companies, Inc., respectively, if and to the extent that such firms continue to maintain a rating on the Bonds and on such bonds and notes.

Capital Reserve Fund Requirement means, as of any date of computation, an amount equal to one-half of the maximum amount of principal, Sinking Fund Installments, if any, or Redemption Price of and interest (exclusive of capitalized interest and accrued interest, if any) on all Bonds Outstanding or on any related Reimbursement Obligation coming due during the then current or any succeeding Fiscal Year, assuming for such computation (i) that the interest payment due on the first interest payment date of any issue will not exceed six months' interest and (ii) that with respect to Variable Interest Rate Bonds, interest on such Bonds shall be calculated at a rate or rates reasonably assumed by the Corporation on the date of issuance thereof having due regard for the security and marketability of all its bonds and notes.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Commissioner of Taxation and Finance means the Commissioner of Taxation and Finance of the State.

Comptroller means the Comptroller of the State.

Debt Service Fund Investments mean if and to the extent the securities are legal for investment of the Corporation's funds, the securities described in (i), (iii) and (iv) in the definition of Capital Reserve Fund Investments.

Director of the Budget means the Director of the Budget of the State.

Excess Earnings means, with respect to a Series of Bonds, (i) the amount by which the earnings on the Gross Proceeds of such Series of Bonds exceeds the amount that would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on such Series of Bonds, as such yield is determined in accordance with the Code, and (ii) amounts earned on the investment of such excess.

Fiduciary or *Fiduciaries* means the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiscal Year means the fiscal year of the Corporation as determined from time to time by the Corporation, which as of the date of the General Subordinate Lien Bond Resolution ends March 31.

Gross Proceeds means, with respect to a Series of Bonds, unless inconsistent with the provisions of the Code, (i) amounts received by the Corporation from the sale of a Series of Bonds (other than amounts used to pay underwriters' fees and other expenses of issuing such Series of Bonds), (ii) amounts treated as transferred proceeds of such Series of Bonds in accordance with the Code, (iii) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds, including any necessary allocation between two or more Series of Bonds in the manner required by the Code, (iv) amounts in the Capital Reserve Fund, (v) securities or obligations pledged by the Corporation as security for payment of debt service on the Bonds, (vi) amounts received with respect to obligations acquired with Gross Proceeds, (vii) amounts used to pay debt service on a Series of Bonds, and (viii) amounts received as a result of the investment of Gross Proceeds at a yield equal to or less than the yield on such Series of Bonds as such yield is determined in accordance with the Code.

Information Services means Bloomberg Municipal Repository, DPC Data Inc., FT Interactive Data, NRMSIR, Standard and Poor's, and J.J. Kenny Repository, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds, or any other such services as the Corporation may designate in writing to the Trustee.

Local Government Assistance Tax Fund means the fund by that name established under Section 92-r of the State Finance Law.

Note or *Notes* means any short-term evidence of indebtedness or the renewals thereof or other similar obligation (other than Senior Bonds, Bonds, Reimbursement Obligations, Swap Payments or Other Obligations) issued by the Corporation.

Note Amortization Payment means, with respect to any Note, any required or scheduled amortization payment of the principal amount of such Note, as required by the terms of such Note, under any resolution authorizing the issuance of such Note, or under subdivision 9 of Section 3236 of the Public Authorities Law.

Operating Expenses means the Corporation's expenses of carrying out and administering its powers, duties and functions, as authorized by the Act, as then in effect, and shall include, without limiting the generality of the foregoing: salaries, administrative expenses, insurance premiums, fees, expenses, indemnification or other similar charges payable to providers of a Surety or a Bond Facility or similar facility with respect to Notes, fees, expenses, indemnification or other similar obligations payable under any Swap or Swap Facility (net of any payments for similar expenses received by the Corporation), auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees for issuing and paying agents, remarketing agents and dealers, rating agencies, transfer or information agents, the publication of advertisements and notices, printers, fees or charges incurred by the Corporation to comply with applicable Federal and State securities or tax laws and any costs of issuance in excess of the amount provided therefor in the proceeds of the sale of Bonds or Notes, and any other operating expenses required or permitted to be paid by the Corporation under the provisions of the Act, as then in effect, and the General Subordinate Lien Bond Resolution.

Other Obligations means any obligations evidencing indebtedness (other than Senior Bonds, Bonds, Notes, and Reimbursement Obligations) issued by the Corporation and does not include any Swap Payments or payments under other financial instruments not evidencing indebtedness entered into by the Corporation.

Outstanding, when used with reference to Bonds, other than Bonds owned or held by or for the account of the Corporation, means, as of any date, Bonds theretofore or then being delivered under the provisions of the General Subordinate Lien Bond Resolution, except: (i) any Bonds canceled by the Trustee at or prior to such date, (ii) any Bonds for the payment or redemption of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee or the Paying Agents in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in the General Subordinate Lien Bond Resolution provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, (iii) any Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the General Subordinate Lien Bond Resolution, and (iv) Bonds deemed to have been paid as provided in the General Subordinate Lien Bond Resolution unless a Series Resolution provides that Bonds of a Series having the benefit of a Bond Facility shall not thereby be deemed paid if payment is provided by the Bond Facility. If principal of a Bond is paid or redeemed by the provider of a Bond Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond in lieu of the Bond so paid or redeemed, but only to the extent that principal of the Bond was so paid or redeemed, at the interest rate provided in the Reimbursement Obligation.

Principal means (i) in the case of references to the principal amount of capital appreciation Bonds, deferred income Bonds or other similar Bonds the payment of interest on which is deferred, the appreciated

value of such Bonds, calculated as prescribed in the applicable Series Resolution, and (ii) in the case of references to the principal amount of any other Bonds, the principal amount at maturity thereof.

Public Authorities Law means the Public Authorities Law of the State, as amended by the Act, and except as otherwise specified in the General Subordinate Lien Bond Resolution, as from time to time amended and then in effect.

Redemption Price means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Subordinate Lien Bond Resolution and the Series Resolution pursuant to which the same was issued.

Refunding Bonds means all Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the General Subordinate Lien Bond Resolution.

Reimbursement Obligation means any obligation of the Corporation to make payments to a provider of a Bond Facility or Surety in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Series Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (i) any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Operating Expenses or (ii) 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, which payments shall be Other Obligations. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds," which may bear a higher interest rate than the rate borne by the Bonds to which they relate.

Revenues means all aid, rents, fees, charges, payments and other income and receipts paid to the Corporation or to the Trustee for the account of the Corporation, including, without limitation, any payment required to be made to the Corporation pursuant to the Act or under any Swap (except for payments for Operating Expenses under such Swap).

Sales Tax means the sales and compensating use taxes (including interest and penalties) imposed State-wide at the rate of four percent by Sections 1105 and 1110 of the Tax Law of the State, or any successor or substitute provisions thereof.

1% Sales Tax means that portion of the Sales Tax in an amount equal to the amount attributable to a one percent rate of taxation, less collection expenses and such amounts as the Commissioner of Taxation and Finance may determine to be necessary for refunds thereof, which is required to be deposited in the Local Government Assistance Tax Fund pursuant to Section 92-r of the State Finance Law.

Securities Depositories means The Depository Trust Company or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other securities depositories or any such other depositories as the Corporation may designate in writing to the Trustee.

Senior Bonds means any bonds issued under the Senior Resolution.

Senior Resolution means the General Senior Lien Bond Resolution adopted by the Corporation of February 19, 1991, as amended and supplemented from time to time, including by (i) the Amended and Restated Variable Rate Supplemental Bond Resolution adopted on March 17, 1993 and amended on March 17, 1994 and amended and restated on December 30, 2002, and (ii) Resolution 2000-4 of the Corporation adopted on February 29, 2000.

Serial Bonds means the bonds so designated in a Series Resolution.

Series of Bonds or *Bonds of a Series* or words of similar meaning means the Series of Bonds authorized by a Series Resolution.

Sinking Fund Installment means, as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the General Subordinate Lien Bond Resolution or the applicable Series Resolution to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

State means the State of New York.

State Finance Law means the State Finance Law of the State, as amended by the Act, and except as otherwise specified in the General Subordinate Lien Bond Resolution, as from time to time amended and then in effect.

Surety means any surety agreement, insurance agreement, letters of credit or other type of agreement or arrangement satisfying the provisions of the General Subordinate Lien Bond Resolution or of any applicable Series Resolution, each of which provides for the availability, at all times required under the General Subordinate Lien Bond Resolution or under any Series Resolution, of the amount of money or the value of the obligations in lieu of the deposit of which such agreement or arrangement is provided, all as described in or contemplated by subdivision 2 of Section 3237 of the Public Authorities Law; provided that the financial institution providing such surety shall have an outstanding, unsecured, uninsured and unguaranteed debt issue that is assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service; provided further that if the financial institution providing such surety is an insurance company, the claims-paying ability of such insurance company shall be assigned either of the two highest ratings (without regard to the addition of a plus (+) or a minus (-) to any rating) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and Moody's Investors Service.

Swap means any interest rate exchange or similar arrangements described in or contemplated by Article 5-D of the State Finance Law or any similar arrangement entered into for the same or similar purposes.

Swap Facility means an insurance policy, letter of credit or other credit enhancement with respect to a Swap, as described in or contemplated in Article 5-D of the State Finance Law, or any similar facility entered into for the same or similar purposes. Payments under a Swap Facility applicable to the interest rate exchange effected under the related Swap shall be deemed Swap Payments under the General Subordinate Lien Bond Resolution and shall not be deemed Reimbursement Obligations. Payment under a Swap Facility applicable to any fees, expenses, indemnification or other charges or obligations thereunder shall be Operating Expenses.

Swap Payment means any payment required to be made by the Corporation under a Swap that is applicable to the interest rate exchange effected thereunder (including termination payments), but not any fees, expenses, indemnification or other charges or obligations thereunder, which shall be Operating Expenses.

Variable Interest Rate means a variable interest rate to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate shall be specified in the Series Resolution authorizing such Series of Bonds or the Comptroller's Series Certificate relating thereto. Such Series Resolution or Comptroller's Series Certificate shall also specify either (i) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

Variable Interest Rate Bonds means Bonds which bear a Variable Interest Rate.

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued by the General Subordinate Lien Bond Resolution by those who shall hold the same from time to time, the General Subordinate Lien Bond Resolution shall be deemed to be and shall constitute a contract between the Corporation and the Holders from time to time of the Bonds; and the pledge made in the General Subordinate Lien Bond Resolution and the covenants and agreements set forth in the General Subordinate Lien Bond Resolution to be performed on behalf of the Corporation 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 General Subordinate Lien Bond Resolution.

(Section 103)

Provisions for Refunding Bonds

Subject to certain requirements set forth in the General Subordinate Lien Bond Resolution, all or any part of one or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any part of one or more Series of Outstanding Bonds, or to refund all Senior Bonds or any part of one or more Series of Senior Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, the General Subordinate Lien Bond Resolution and the Series Resolution authorizing said Series of Refunding Bonds.

(Section 203)

Agreement with Comptroller

As of the date of sale of any Bonds, Notes or Other Obligations, the Corporation shall have entered into an agreement with the Comptroller pursuant to which the Comptroller shall have been designated the exclusive agent of the Corporation for the sale of such Bonds, Notes or Other Obligations.

(Section 205)

Notice of Redemption

Whenever Bonds are to be redeemed pursuant to the General Subordinate Lien Bond Resolution, the Trustee shall give notice, in the name of the Corporation, of the redemption of such Bonds, by first-class mail, postage prepaid to the registered owners of Bonds of the Series which are to be redeemed, at their last known addresses, if any, appearing on the registration books of the Corporation and to any applicable provider of a Bond Facility at least 30 days but not more than 45 days prior to the redemption date and a second notice of redemption shall be sent by registered or certified mail at such address to any registered owner who has not submitted his Bonds to the Trustee or Paying Agent for payment on or before the date sixty days following the date fixed for redemption. Such notices shall specify the Series and maturities of the 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 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of registered 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 such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The failure of any such owner to receive notice shall not affect the validity of the proceedings for the redemption of Bonds. If directed in writing by the Corporation, the Trustee shall give notice also by publication once a week for at least two (2) successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty (30) or more than sixty (60) days prior to the redemption date. In case it shall be impossible to make publication of any required notice as

provided in the General Subordinate Lien Bond Resolution, then such publication or other notice in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice, provided that such publication or other notice shall, so far as may be possible, approximate the terms and conditions of the publication in lieu of which it is given.

The Trustee shall also send any required notice of redemption by first-class mail, postage prepaid to certain municipal registered Securities Depositories which are known to the Trustee to be holding Bonds of such Series and to at least two of the national Information Services that disseminate securities redemption notices at least 30 but no more than 45 days prior to the date fixed for redemption; provided that neither failure to receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Series of Bonds.

(Section 405)

Application of Certain Proceeds

Except as otherwise specified in the General Subordinate Lien Bond Resolution or in the applicable Series Resolution, the Corporation shall apply the amount of the proceeds derived from the sale of each Series of Bonds to the Bond Proceeds Fund. Accrued interest, if any, received upon the delivery of such Series of Bonds shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as capitalized interest upon the delivery of such Series and any interest earned on amounts on deposit in the Bond Proceeds Fund shall be deposited in the Debt Service Fund unless otherwise provided in the applicable Series Resolution. The amount received as a premium over the principal amount of such Series of Bonds, if any, upon the delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.

The Corporation is authorized to establish separate accounts within the Bond Proceeds Fund to be designated, respectively, the “Costs of Issuance Account,” into which moneys in the Bond Proceeds Fund shall be deposited for the purpose of making the payments described in clause (i) under the heading “Application of Bond Proceeds Fund” below, into which moneys in the Bond Proceeds Fund shall be deposited for the purposes of making the payments described in clause (iii) under the heading “Application of Bond Proceeds Fund” below.

By Series Resolution, the Corporation may designate one or more accounts in the Bond Proceeds Fund as a “Bond Anticipation Note Account—Series __” into which moneys in the Bond Proceeds Fund, derived from any Series of Bonds, in anticipation of the issuance of which notes designated as bond anticipation notes have been issued, shall be deposited for the purpose described in clause (ii) under the heading “Application of Bond Proceeds Fund” below. By Series Resolution, the Corporation may pledge and grant a lien on the moneys in such account to the holders of the bond anticipation notes for the payment of which such Series of Bonds has been issued.

(Section 501)

Application of Bond Proceeds Fund

Unless otherwise specified in the applicable Series Resolution, moneys in the Bond Proceeds Fund, or any accounts therein, shall be applied for any one or more of the following purposes:

- (i) payment of costs of issuance at the direction of any Authorized Officer of the Corporation;
- (ii) payment of the principal amount of Notes that have been designated as bond anticipation notes by the Corporation at the maturity or earlier redemption thereof, if authorized by the Series Resolution authorizing such Bonds; and

(iii) payments to local governments for any or all of the purposes set forth in subdivisions 1, 2 and 3 of Section 3238 of the Public Authorities Law as amended to the date of adoption of the General Subordinate Lien Bond Resolution, at the direction of an Authorized Officer of the Corporation; provided that appropriations to effect such purposes may be made after the date of adoption of the General Subordinate Lien Bond Resolution.

(Section 502)

The Pledge Effected by the General Subordinate Lien Bond Resolution

The Revenues and all funds (other than the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) established by the General Subordinate Lien Bond Resolution, and other moneys and securities referred to in the General Subordinate Lien Bond Resolution (other than moneys and securities in the Bond Proceeds Fund, the Operating Fund, the Subordinated Payment Fund and the Rebate Fund) are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with their terms and the provisions of the General Subordinate Lien Bond Resolution, subject only to the provisions of the General Subordinate Lien Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Subordinate Lien Bond Resolution. The pledge made by the General Subordinate Lien Bond Resolution shall be valid and binding from and after the time of adoption of the General Subordinate Lien Bond Resolution. The Revenues thereafter received by the Corporation and all funds and other moneys and securities therein pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation irrespective of whether such parties have notice thereof. The pledge created by this Resolution, insofar as it relates to revenues, monies and securities and funds pledged under the Senior Resolution, is, and is hereby expressly declared to be, subordinate in all respects to the pledge of such revenues, monies and securities and funds created by the Senior Resolution. The Bonds issued under this resolution shall be "Other Obligations" as defined in the Senior Resolution and shall be payable from amounts on deposit in the Subordinated Payment Fund held under the Senior Resolution on a parity with all "Other Obligations" as defined in the Senior Resolution and the financial obligations of the Corporation payable therefrom.

(Section 601)

Establishment of Funds

In addition to the Bond Proceeds Fund established under the General Subordinate Lien Bond Resolution, the following funds are established in the custody of the Trustee:

Debt Service Fund,
Capital Reserve Fund,
Rebate Fund, and
Subordinated Payment Fund.

At such time as the Senior Resolution is no longer in effect, the Operating Fund shall be established under the General Subordinate Lien Bond Resolution.

Accounts and subaccounts within each of the foregoing funds or temporary accounts for the payment of costs of issuance or capitalized interest may from time to time be established in accordance with a Series Resolution or upon the direction of the Corporation.

(Section 602)

Application of Payments

The payments received in accordance with subdivision 3 of Section 3240 of the Public Authorities Law following application under the Senior Resolution and deposit into the Subordinated Payment Fund held under the Senior Resolution shall be applied to the Rebate Fund, the Operating Fund, the Debt Service Fund, the Capital Reserve Fund and the Subordinated Payment Fund in accordance with certificates of an Authorized Officer pursuant to which the payment is made, provided, however, that if the amount of payment is less than the amount certified, the payment shall be applied, first, to the Rebate Fund, second, to the Debt Service Fund, third, to the Capital Reserve Fund, fourth, to the Operating Fund, and fifth, to the Subordinated Payment Fund; and provided further that (i) no moneys shall be deposited into the Subordinated Payment Fund unless the Comptroller, in his sole and exclusive judgment, which judgment shall be reasonable, makes a determination in writing to the Corporation that upon such deposit, amounts to be derived from the 1% Sales Tax will be sufficient to meet all requirements of the Debt Service Fund and Capital Reserve Fund during the period in which the set aside payment requirements for each such Fund are applicable pursuant to paragraph (b) of subdivision 5 of Section 92-r of the State Finance Law, and (ii) if and to the extent the Comptroller does not make such determination, moneys otherwise to be deposited in the Subordinated Payment Fund shall be deposited into the Debt Service Fund to be applied as required under the General Subordinate Lien Bond Resolution. Payments received by the Corporation under any Swap applied to the interest exchange thereby effected shall be applied to the Debt Service Fund and payments thereunder for Operating Expenses shall be applied to the Operating Fund; provided however that so long as the Senior Resolution is in effect, payments received by the Corporation under any Swap shall be applied to the debt service fund established under the Senior Resolution and payments under a Swap for Operating Expenses shall be applied to the operating fund created under the Senior Resolution.

(Section 603)

Operating Fund

The Trustee shall pay out of the Operating Fund the amounts required for the payment of Operating Expenses at the written direction of the Corporation.

(Section 604)

Debt Service Fund

The Trustee shall pay, on or before the Business Day preceding each interest payment date for any of the Bonds, out of the amounts then held in the Debt Service Fund, to itself and the Paying Agents, the amounts respectively required for the payment of principal, Sinking Fund Installments, if any, and Redemption Price of, and interest on any Bonds or any related Reimbursement Obligation due and payable on such date, and such amounts so paid out shall be irrevocably pledged to and applied to such payments.

In the event that on the Business Day preceding any interest payment date, the amount in the Debt Service Fund shall be less than the amounts respectively required for payment of interest on the Outstanding Bonds and for the payment of the principal and Sinking Fund Installments of the Outstanding Bonds of any Series due and payable on such interest payment date, or any related Reimbursement Obligation, the Trustee shall withdraw from the Capital Reserve Fund and deposit into the Debt Service Fund such amounts as will increase the amount in the Debt Service Fund to an amount sufficient to make such payment or payments.

As soon as practicable after the 45th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, pursuant to the General Subordinate Lien Bond Resolution on such due date, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Term Bonds of such Series and maturity or the payment of any related Reimbursement Obligation. The Trustee shall so call such Term Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable principal amount thereof, together

with interest thereon to the redemption date. The Trustee shall pay out of the Debt Service Fund to the appropriate Paying Agents, on the day preceding each such redemption date, the amount required for the redemption of the Term Bonds so called for redemption or the payment of any related Reimbursement Obligation, and such amount shall be applied by such Paying Agent to such redemption or payment.

The Corporation may, at any time prior to the forty-fifth day preceding the day on which a Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys in the Debt Service Fund, at a price not in excess of par, plus unpaid interest accrued to the date of such purchase in the case of current interest obligations or at a price not in excess of accreted value in the case of capital appreciation obligations, Term Bonds payable from such Sinking Fund Installment and any Term Bonds so purchased shall be cancelled by the Trustee and the aggregate principal amount of the Term Bonds so purchased shall be credited against the Sinking Fund Installment next due.

Upon the purchase or redemption of any Bonds for which Sinking Fund Installments shall have been established, other than by application of moneys described in the preceding paragraph, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward the Sinking Fund Installment in such order or proportionate amount as shall be specified by the Corporation in an applicable Series Resolution or otherwise with respect to the Bonds of such maturity.

(Section 605)

Capital Reserve Fund

The Corporation shall deposit into the Capital Reserve Fund (i) all moneys paid to the Corporation pursuant to subdivisions 1 and 4 of Section 3240 of the Public Authorities Law for the purpose of maintaining or restoring the amount in the Capital Reserve Fund to the amount of the Capital Reserve Fund Requirement provided that there shall be no deficiency in the Capital Reserve Fund held under the Senior Resolution; (ii) such portion of the proceeds of sale of Bonds, if any, as shall be prescribed by the applicable Series Resolution; (iii) any Surety as may be authorized by the General Subordinate Lien Bond Resolution or by the applicable Series Resolution; and (iv) any other moneys which may be made available to the Corporation for the purposes of the Capital Reserve Fund from any other source or sources.

Moneys and securities held for the credit of the Capital Reserve Fund shall be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund at the times and in the amounts required to comply with the provisions of the General Subordinate Lien Bond Resolution. At any time moneys and securities in the Capital Reserve Fund in excess of the Capital Reserve Fund Requirement, upon written direction of the Corporation, may be withdrawn by the Trustee and deposited to the credit of the Debt Service Fund, subject to the provisions of the General Subordinate Lien Bond Resolution described in the following two paragraphs.

Any income or interest earned on investments in the Capital Reserve Fund in excess of the amount needed to pay interest on the Bonds issued to fund the Capital Reserve Fund (and in excess of the Capital Reserve Fund Requirement) and not required to be rebated to the Department of the Treasury of the United States of America pursuant to the General Subordinate Lien Bond Resolution shall be withdrawn by the Trustee at the written direction of an Authorized Officer of the Corporation and deposited to the credit of the Debt Service Fund to be applied as provided in the General Subordinate Lien Bond Resolution.

The Corporation may deposit a Surety in the Capital Reserve Fund in substitution for an equal amount of moneys or securities then on deposit in the Capital Reserve Fund, provided that any such moneys or securities released from the Capital Reserve Fund shall be deposited to the credit of the Debt Service Fund to be applied at the written direction of an Authorized Officer of the Corporation to the redemption of Bonds on the first date on which such Bonds are subject to redemption, or by the Trustee in the case of an acceleration as a result of a continuing event of default under the General Subordinate Lien Bond Resolution and subject to certain other provisions of the General Subordinate Lien Bond Resolution. Any moneys or securities released

from the Capital Reserve Fund as a result of an issue of refunding bonds shall be applied as though such moneys were released from the Capital Reserve Fund as a result of a deposit of a Surety under the provisions of the General Subordinate Lien Bond Resolution described in this paragraph except that such moneys may be applied to fund a capital reserve fund for Notes or Other Obligations issued by the Corporation and payable from the Subordinated Payment Fund. At any time that there is on deposit in the Capital Reserve Fund both (i) cash and securities and (ii) one or more Sureties, the Trustee shall apply all of the cash and securities in the Capital Reserve Fund for the purposes provided in this Resolution prior to requesting payment under any Surety. If more than one Surety is on deposit in the Capital Reserve Fund at the time moneys are to be withdrawn therefrom, the Trustee shall obtain payment under each such Surety, pro rata, based upon the respective amounts then available to be paid thereunder.

(Section 606)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the Corporation for deposit therein and, notwithstanding any other provisions of the General Subordinate Lien Bond Resolution, shall transfer to the Rebate Fund, in accordance with the written directions of an Authorized Officer of the Corporation, moneys on deposit in any other funds held by the Trustee under the General Subordinate Lien Bond 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 an Authorized Officer of the Corporation to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Corporation shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Corporation determines to be in excess of the amount required to be so rebated shall be deposited to the Debt Service Fund in accordance with the written directions of such Authorized Officer.

If and to the extent required by the Code, the Corporation shall periodically, at such times as may be required to comply with the Code, determine the amount of Excess Earnings with respect to each Series of Bonds and direct the Trustee in writing to (i) transfer from any other of the funds and accounts held by the Trustee under the General Subordinate Lien Bond Resolution and deposit to the Rebate Fund, all or a portion of the Excess Earnings with respect to such Series of Bonds and (ii) 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 607)

Subordinated Payment Fund

Subject to the provisions of the General Subordinate Lien Bond Resolution described above under the heading "Application of Payments," the Corporation shall deposit into the Subordinated Payment Fund all moneys paid to the Corporation under the Act or otherwise (following application under the Senior Resolution and deposit into the Subordinated Payment Fund held under the Senior Resolution) for (i) payments on any Notes or Other Obligations, (ii) Swap Payments or payments on other financial instruments entered into by the Corporation, (iii) payments for certain mandatory purchases or redemption referred to in the General Subordinate Lien Bond Resolution.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in the provisions of the General Subordinate Lien Bond Resolution summarized in the first paragraph under this heading, pursuant to any resolution adopted by, or otherwise at the written direction of, the Corporation.

(Section 608)

Investment of Funds and Accounts

Except for money on deposit in the Debt Service Fund and the Capital Reserve Fund, moneys in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested in obligations in which the Comptroller is authorized to invest pursuant to Section 98-a of the State Finance Law as then in effect, except as may be otherwise limited by Supplemental Resolution or Series Resolution. Moneys on deposit in the Debt Service Fund shall be invested in Debt Service Fund Investments. Moneys on deposit in the Capital Reserve Fund shall be invested in Capital Reserve Fund Investments.

In computing the value of any fund or account held by the Trustee under the provisions of the General Subordinate Lien Bond Resolution, obligations purchased as an investment of moneys therein shall be valued at the cost or market price thereof, whichever is lower, inclusive of accrued interest. In computing the value of the Capital Reserve Fund, obligations in which all or a portion of such fund shall be invested shall be valued at par if purchased at par or, if purchased at a premium above or a discount below par, the value at any given date obtained by dividing the total premium or discount at which such obligations were purchased by the number of interest payment dates remaining to maturity on such obligations after such purchase, and by multiplying the number so calculated by the number of interest payment dates having passed since the date of such purchase and (i) in the case of such obligations purchased at a premium, by deducting the product thus obtained from the purchase price; and (ii) in the case of such obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Except as otherwise provided in the General Subordinate Lien Bond Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any obligation purchased by it as an investment pursuant to the General Subordinate Lien Bond Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each fund and account in its custody under the provisions of the General Subordinate Lien Bond Resolution as of the end of the preceding month.

Except as otherwise provided in the section of the General Subordinate Lien Bond Resolution described in the following paragraph, (i) the Corporation delegates to the Comptroller the power and duty to make, subject to the provisions of the General Subordinate Lien Bond Resolution, any and all investment decisions respecting moneys in the funds and accounts under the General Subordinate Lien Bond Resolution, and the Trustee shall, with respect to the investment of moneys held in the funds and accounts under the General Subordinate Lien Bond Resolution, act at the written direction of the Comptroller or his authorized representative as specified in the provisions of the General Subordinate Lien Bond Resolution summarized under this heading; (ii) the Comptroller shall determine the securities and other investments in which moneys held in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested, shall order any and all purchases and sales of securities in the funds and accounts under the General Subordinate Lien Bond Resolution, and shall authorize and direct the Trustee orally or by facsimile transmission, promptly confirmed in writing to deliver, redeliver or receive any and all securities held or to be held in the funds and accounts under the General Subordinate Lien Bond Resolution; and (iii) subject to compliance with the provisions of the General Subordinate Lien Bond Resolution described in the first paragraph under this heading, the Trustee shall not be responsible for making any investment decisions under the provisions of the General Subordinate Lien Bond Resolution summarized in this paragraph; provided, however, that the liability of the Trustee for any and all actions with respect to securities in and investments of the funds and accounts under the General Subordinate Lien Bond Resolution shall be as provided in the General Subordinate Lien Bond Resolution.

The Comptroller may withdraw, or the Corporation may release the Comptroller, from his powers and duties specified in the provisions of the General Subordinate Lien Bond Resolution summarized under this heading relating to the investment of funds and accounts held under the General Subordinate Lien Bond Resolution, each by delivery of ten days' prior written notice to the other and to the Trustee. Upon any such

withdrawal or release, moneys in the funds and accounts under the General Subordinate Lien Bond Resolution shall be invested by the Trustee in accordance with the General Subordinate Lien Bond Resolution, upon direction of the Corporation in writing, signed by an Authorized Officer.
(Section 701)

Creation of Liens

The Corporation shall not issue any bonds or other evidences of indebtedness, other than the Bonds or any related Reimbursement Obligations, secured by a pledge of the Revenues or any moneys and securities in the Debt Service Fund or the Capital Reserve Fund, and shall not create or cause to be created any lien or charge equal or prior to the Bonds or any related Reimbursement Obligations on Revenues or on any moneys and securities in the Debt Service Fund or the Capital Reserve Fund other than as provided in or permitted by the Senior Resolution.

(Section 907)

Tax Exemption

The Corporation may include in the applicable Series Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds; provided, however, that nothing in the General Subordinate Lien Bond Resolution shall be construed to preclude the Corporation from issuing Bonds the interest on which is not intended to be excluded from gross income, and is therefore taxable, for purposes of federal income taxation.

(Section 908)

Agreement With the Director of the Budget

The Corporation shall enter into one or more agreements with the State, acting through the Director of the Budget, as provided in subdivision 5 of Section 3240 of the Public Authorities Law providing for the specific manner, timing and amount of payments to be made to the Corporation under Section 3240 of the Public Authorities Law and the General Subordinate Lien Bond Resolution. Because the Comptroller is required to make the payments described under Section 3240 of the Public Authorities Law, the Comptroller shall have acknowledged, agreed to and approved such agreement, which, to ensure that payments under such Section will be made in the specified manner, timing and amounts provided in such agreement, may require the Comptroller to invest moneys derived from the 1% Sales Tax and required to be retained or set aside in the Local Government Assistance Tax Fund in Debt Service Fund Investments. The Corporation shall approve the form and substance of such agreement with respect to any Series of Bonds prior to or concurrently with the applicable Series Resolution and shall take all steps necessary or appropriate to enforce such agreement and to assure compliance by the State with such agreement. The Corporation shall not enter into any such agreement that is not in conformity with the Act and the General Subordinate Lien Bond Resolution.

(Section 910)

Purposes for Which Bonds May Be Issued

Except for Bonds, Notes or Other Obligations issued to fund a capital reserve fund, to provide for capitalized interest, and to pay costs of issuance thereof, the Corporation shall not issue any Bonds, Notes, or Other Obligations, except for the purposes specified in Sections 3236 and 3238 of the Public Authorities Law, as amended to the date of adoption of the General Subordinate Lien Bond Resolution; provided that appropriations to effect such purposes may be made after the date of adoption of the General Subordinate Lien Bond Resolution.

(Section 911)

Accounts and Reports

The Corporation shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made for its transactions relating to all funds established by the General Subordinate Lien Bond Resolution which shall at all reasonable times be subject to the inspection of the Holder of an aggregate of not less than five per centum (5%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(Section 912)

Surety or Bond Facility

Pursuant to the applicable Series Resolution, the Corporation may include any or all of the covenants and agreements set forth in the General Subordinate Lien Bond Resolution in an agreement with the provider of a Surety or Bond Facility.

(Section 914)

Modification and Amendment Without Consent

The Corporation may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer: (i) to provide for the issuance of a Series of Bonds pursuant to the provisions of the General Subordinate Lien Bond Resolution; (ii) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Subordinate Lien Bond Resolution; (iii) to prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Corporation which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (iv) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the General Subordinate Lien Bond Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Subordinate Lien Bond Resolution; (v) to confirm as further assurance any pledge under the General Subordinate Lien Bond Resolution subject to any lien, claim or pledge created or to be created by the provisions of the General Subordinate Lien Bond Resolution, of the Revenues or of any other moneys, securities or funds; (vi) to modify any of the provisions of the General Subordinate Lien Bond Resolution or any previously adopted Series Resolutions in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Series Resolution or Supplemental Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent resolutions; or (vii) with the consent of the Trustee, to cure any ambiguity or defect or inconsistent provisions in the General Subordinate Lien Bond Resolution or to insert such provisions clarifying matters or questions arising under the General Subordinate Lien Bond Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the General Subordinate Lien Bond Resolution as theretofore in effect.

(Section 1001)

Supplemental Resolutions Effective With Consent of Bondholders

The provisions of the General Subordinate Lien Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the General Subordinate Lien Bond Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer.

(Section 1002)

Powers of Amendment

Any modification or amendment of the General Subordinate Lien Bond Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds under the General Subordinate Lien Bond Resolution, may be made by a Supplemental Resolution, with the written consent given as provided in the General Subordinate Lien Bond Resolution, (a) of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment 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 the section of the General Subordinate Lien Bond Resolution described under this heading. 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 Holder of such Bond, 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. For the purposes of the section of the General Subordinate Lien Bond Resolution described under this heading, a Series shall be deemed to be affected by a modification or amendment of the General Subordinate Lien Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing provisions Bonds of any particular Series or maturity would be affected by any modification or amendment of the General Subordinate Lien Bond Resolution and any such determination shall be binding and conclusive on the Corporation and all Holders of Bonds. The Trustee may receive an opinion of counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the General Subordinate Lien Bond Resolution.

(Section 1101)

Consent of Bondholders

The Corporation may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the General Subordinate Lien Bond Resolution described above under the heading "Powers of Amendment" to take effect when and as provided in the section of the General Subordinate Lien Bond Resolution described under this heading. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Corporation to Bondholders and be published at least once a week for two (2) successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in the section of the General Subordinate Lien Bond Resolution summarized under this heading). Such Supplemental Resolution shall not be effective unless and until (a) there shall have been filed with the Trustee certain documents required by the General Subordinate Lien Bond Resolution and (b) a notice shall have been published as provided in the General Subordinate Lien Bond Resolution. Each such consent shall be effective only if accompanied by proof of the holding 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 General Subordinate Lien Bond Resolution. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, 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 the Holder of such Bonds giving consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee described under this heading is filed, such revocation and, if

such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by the General Subordinate Lien Bond Resolution. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the General Subordinate Lien Bond Resolution, shall be given to Bondholders by the Corporation by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in the General Subordinate Lien Bond Resolution) and by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee provided for in the General Subordinate Lien Bond Resolution is filed. A transcript, consisting of the papers required or permitted by the section of the General Subordinate Lien Bond Resolution described under this heading to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, 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 thirty (30) day period; provided, however, that the Corporation, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Section 1102)

Consent of Provider of Bond Facility

For purposes of Article XI of the General Subordinate Lien Bond Resolution, the provider of a Bond Facility shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Series Resolution.

(Section 1107)

Events of Default

Each of the following events is declared an “event of default” under the General Subordinate Lien Bond Resolution:

(i) the Corporation shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise or the Corporation shall default in the payment of interest on any of the Bonds; or

(ii) the Chairperson of the Corporation shall fail or refuse to comply with the provisions of subdivision 1 of Section 3240 of the Public Authorities Law and such failure or refusal shall continue for a period of thirty (30) days, or the Comptroller shall fail to pay to the Corporation, as and when provided by subdivision 2 of such Section, any amount or amounts as shall be certified by the Chairperson pursuant to subdivision 1 of such Section, or the Corporation shall fail or refuse to deposit in the Capital Reserve Fund or the Debt Service Fund the amount or amounts received by the Corporation for deposit in such funds, respectively; or

(iii) the State shall amend, alter, repeal or fail to comply with the provisions of subdivision 2 of Section 3241 of the Public Authorities Law as in effect on the date of adoption of the General Subordinate Lien Bond Resolution or shall, except as expressly provided in such subdivision 2, amend, alter, or repeal, or fail to comply with, the provisions of Section 3241-a of the Public Authorities Law as in effect on the date of adoption of the General Subordinate Lien Bond Resolution; or

(iv) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by him pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Chairperson pursuant to subdivision 1 of Section 3240 of the Public Authorities Law 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

(v) the Trustee shall have withdrawn amounts from the Capital Reserve Fund pursuant to the provisions of the General Subordinate Lien Bond Resolution described in the second paragraph under the heading "Debt Service Fund" above resulting in a deficiency therein, and the Capital Reserve Fund shall not be restored to the Capital Reserve Fund Requirement within 120 days thereafter; or

(vi) the State shall have enacted a moratorium or other similar law affecting the Bonds; or

(vii) the State or any officer of the State shall fail or refuse to comply with any provision of Section 92-r of the State Finance Law; or,

(viii) the State shall fail or refuse to comply with the provisions of any agreement described in subdivision 5 of Section 3240 of the Public Authorities Law between the State, acting through the Director of the Budget, and the Corporation providing for the specific manner, timing and amount of payments to be made to the Corporation; or

(ix) the Corporation shall fail or refuse to comply with the provisions of the Act, as then in effect, other than as provided in (iii) above, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the General Subordinate Lien Bond Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the Trustee or by the Holders of not less than five per centum (5%) in principal amount of the Outstanding Bonds;

provided that nothing in the section of the General Subordinate Lien Bond Resolution described under this heading may be construed to restrict the right of the State under subdivision 6 of Section 3240 of the Public Authorities Law to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax without giving rise to an event of default under the General Subordinate Lien Bond Resolution.

(Section 1202)

Remedies

Upon the happening and continuance of any event of default described in clause (i) under the heading "Events of Default" above, the Trustee shall proceed, or upon the happening and continuance of any other event of default described under the heading "Events of Default" above, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (i) by mandamus or other suit, action or proceeding at law, including without limitation an action for damages, or in equity, to enforce all rights of the Bondholders, and

to require the Corporation, and to the fullest extent permitted by applicable Federal and State law, the State, to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act; (ii) by bringing suit upon the Bonds; (iii) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the Holders of the Bonds; (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and (v) upon 30 days' notice to the Corporation, the Governor, the Comptroller, the Temporary President of the Senate, the Speaker of the Assembly and the Attorney General of the State, in accordance with the provisions of Section 3243 of the Public Authorities Law, to declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and its consequences. Provided that the Bonds may not be declared due and payable unless and until all of the Senior Bonds are no longer outstanding or have been declared due and payable; provided that nothing in the General Subordinate Lien Bond Resolution shall preclude the Corporation from agreeing that consent of the provider of a Bond Facility is required for an acceleration of related Bonds in an event of default other than a failure to pay principal of or interest on the Bonds when due, as described in the last paragraph under this heading; provided further that the absence of such consent shall not limit the right of the Trustee to make such declaration with respect to all other Outstanding Bonds as provided in clause (v) above and upon consent of the Holders of twenty-five per centum (25%) in principal amount of all Outstanding Bonds.

In the enforcement of any remedy under the General Subordinate Lien Bond Resolution, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, interest or otherwise, under any provision of the General Subordinate Lien Bond Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the General Subordinate Lien Bond Resolution and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable, all in accordance with the provisions of the Act.

Notwithstanding the provisions of the General Subordinate Lien Bond Resolution described above under this heading, upon the happening and continuance of any event of default described in clause (iii) under the heading "Events of Default" above, a Bondholder may proceed, in his own name, to protect and enforce his rights by taking such action as he shall deem most effectual to protect and enforce such rights, including, without limitation, the actions specified in clauses (i), (ii), (iii) and (iv) above.

All remedies conferred upon or reserved to the Holders of Bonds under the General Subordinate Lien Bond Resolution may also be conferred upon and reserved to the provider of a related Bond Facility authorized by a Series Resolution and may be cumulative as provided in the General Subordinate Lien Bond Resolution. Nothing in the General Subordinate Lien Bond Resolution shall preclude the Corporation from providing in an applicable Series Resolution, or in any Bond Facility authorized thereby, that the exercise of any remedy, including without limitation acceleration or annulment, under the General Subordinate Lien Bond Resolution or the waiver of any event of default under the General Subordinate Lien Bond Resolution by the Trustee or the Holder of any such Bond shall be subject to the prior written consent of the provider of any related Bond Facility.

(Section 1203)

Bondholders' Direction of Proceedings

Anything in the General Subordinate Lien Bond Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of

conducting all remedial proceedings to be taken by the Trustee under the General Subordinate Lien Bond Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions of the General Subordinate Lien Bond Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

(Section 1206)

Limitation on Rights of Bondholders

No Holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the General Subordinate Lien Bond Resolution, or for the protection or enforcement of any right under the General Subordinate Lien Bond Resolution or any right under law unless such Holder shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and, except as described above under the heading "Remedies," unless the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the General Subordinate Lien Bond Resolution or under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply 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 powers under the General Subordinate Lien Bond Resolution or for any other remedy under the General Subordinate Lien Bond Resolution or under law. It is understood and intended that no one or more Holders of the Bonds secured by the General Subordinate Lien Bond Resolution shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the General Subordinate Lien Bond Resolution, or to enforce any right under the General Subordinate Lien Bond Resolution or under law with respect to the Bonds or the General Subordinate Lien Bond Resolution, except in the manner provided in the General Subordinate Lien Bond Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the General Subordinate Lien Bond Resolution and for the benefit of all Holders of the Outstanding Bonds. Notwithstanding the foregoing provisions of the section of the General Subordinate Lien Bond Resolution described under this heading or any other provisions of Article XI of the General Subordinate Lien Bond Resolution, the obligation of the Corporation shall be absolute and unconditional to pay the principal and Redemption Price of and interest on the Bonds to the respective Holders thereof at the respective due dates thereof, and nothing in the General Subordinate Lien Bond Resolution shall affect or impair the right of action, which is absolute and unconditional, of such Holders to enforce such payment.

Anything to the contrary notwithstanding contained in the General Subordinate Lien Bond Resolution, each Holder of any Bond by his acceptance thereof shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the General Subordinate Lien Bond Resolution or any Series Resolution, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of the General Subordinate Lien Bond Resolution described in this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

(Section 1207)

No Waiver of Default

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 General Subordinate Lien Bond Resolution to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(Section 1210)

Notice of Event of Default

The Trustee shall give to the Bondholders notice of each event of default under the General Subordinate Lien Bond Resolution known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such event of default shall have been remedied or cured before the giving of such notice; provided that, except in the case of default in the payment of the principal, Sinking Fund Installment, or Redemption Price of or interest on any of the Bonds, or in the making of any payment required to be made into the Operating Fund, the Debt Service Fund or the Capital Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders. Each such notice of event of default shall be given by the Trustee by mailing such written notice thereof: (i) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; and (ii) to such other persons as is required by law.

(Section 1211)

Defeasance

If the Corporation shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Subordinate Lien Bond Resolution, then, at the option of the Corporation, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Corporation to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all money, securities and funds held by them pursuant to the General Subordinate Lien Bond Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with effect expressed in the provisions of the General Subordinate Lien Bond Resolution described in the preceding paragraph. All Outstanding 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 provisions of the General Subordinate Lien Bond Resolution described in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption as provided in the General Subordinate Lien Bond Resolution on said date of such Bonds, (b) there shall have been deposited with the Trustee either (i) moneys in an amount which shall be sufficient, (ii) non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed or (iii) certificates that evidence ownership of the right to payments of principal or interest on

obligations described in clause (ii), provided that such obligations shall be held in trust by the Trustee or a bank or trust company or national banking association meeting the requirements for a successor Trustee under the General Subordinate Lien Bond Resolution, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay, when due, the principal 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 thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the section of the General Subordinate Lien Bond Resolution described under this heading and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Non-callable direct obligations of the United States of America or non-callable obligations the principal of or interest on which is fully and unconditionally guaranteed by the United States of America as to timely payment of principal or interest, as the case may be, provided that such obligations shall consist of only such amounts so guaranteed, qualified certificates evidencing ownership of the right to payments of principal or interest on such obligations, moneys deposited with the Trustee pursuant to the provisions of the General Subordinate Lien Bond Resolution described under this heading and principal or interest payments on any such securities shall be held in trust for the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such direct obligations of the United States of America deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in non-callable direct obligations of the United States of America maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

Any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall, at the written request of the Corporation, be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Corporation for the payment of such Bonds; provided, however, that before being required to make any such payment to the Corporation, the Fiduciary shall, at the expense of the Corporation, cause to be published at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Corporation.

(Section 1401)

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

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 B 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 B 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 B is dated June 20, 2017. It was updated on February 28, 2018. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at <http://www.budget.ny.gov>.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2017 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 28, 2017 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**

February 28, 2018

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Introduction

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Introduction

This Annual Information Statement (AIS) Update (the “AIS Update”) is dated February 28, 2018 and contains information only through that date. This AIS Update constitutes the official disclosure regarding the financial position of the State of New York (the “State”) and related matters and is the third quarterly update to the AIS dated June 20, 2017 (the “AIS”). This AIS Update should be read in its entirety, together with the AIS.

In this AIS Update, readers will find:

1. Extracts from the Governor’s Executive Budget Financial Plan for Fiscal Year (FY) 2019, as amended (the “Updated Financial Plan” or “Executive Budget Financial Plan”), issued by the Division of the Budget (DOB) in February 2018. The Updated Financial Plan (which is available on the DOB website, www.budget.ny.gov) includes a summary of operating results through the third quarter of FY 2018 (ended December 31, 2017) and updates to the State’s official Financial Plan projections for FY 2018 through FY 2021¹ and initial projections for FY 2022.
2. A discussion of issues and risks that may affect the State’s financial projections during the State’s current fiscal year or in future years (under the heading “Other Matters Affecting the Financial Plan”).
3. A summary of the Generally Accepted Accounting Principles (GAAP)-basis results for the prior three fiscal years.
4. Updated Information on certain public authorities and localities of the State.
5. Updated information regarding the State Retirement System.
6. The status of significant litigation that has the potential to adversely affect State finances.
7. Updated Financial Plan tables that summarize actual General Fund receipts and disbursements for FY 2017 and projected receipts and disbursements for FYs 2018 through 2021 on a General Fund, State Operating Funds (SOF) and All Governmental Funds basis.

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

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

¹ The State fiscal year is identified by the calendar year in which it ends. For example, fiscal year 2018 (“FY 2018”) is the fiscal year that began on April 1, 2017 and will end on March 31, 2018.

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

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

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

OSC issued the State's Basic Financial Statements for FY 2017 (ended March 31, 2017) and the Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting in accordance with the annual statutory deadline of July 29. Copies of these reports 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 2017 can also be accessed through EMMA at www.emma.msrb.org.

Usage Notice

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

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

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

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Budgetary and Accounting Practices

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Budgetary and Accounting Practices

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

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

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

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

State Operating Funds is a broader measure of spending for operations (as distinct from capital purposes) that is funded with State resources. It includes financial activity in the General Fund, as well as State-funded Special Revenue Funds and Debt Service Funds (spending from capital projects funds and Federal funds is excluded). As a significant amount of financial activity occurs in funds outside of the General Fund, State Operating Funds is, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees and tuition). The State Operating Funds perspective eliminates certain distortions in operating activities that may be caused by, among other things, the State's complex fund structure, the transfer of money among funds, and the accounting of disbursements against appropriations in different funds. For example, the State funds its share of the Medicaid program from both the General Fund and HCRA funds, the latter being State Special Revenue Funds. The State Operating Funds perspective captures Medicaid disbursements from both 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's adherence to a 2 percent annual spending growth benchmark is calculated on the State Operating Funds basis.

As described later in this AIS Update, the Updated Financial Plan reflects some actions that have affected, or are intended to affect, the amount of annual spending that is accounted for in the State Operating Funds basis of reporting. These include, but are not limited to, realignment of certain operating costs to the capital budget to provide greater consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; restructuring of the STAR program such that the spending for certain benefits is instead provided as a tax credit consistent with other State tax credits; appropriation of certain operating costs for the Department of Transportation (DOT) and the Department of Motor Vehicles (DMV) from the General Fund instead of the DHBTf, a change which would increase reported disbursements from State Operating Funds; and a proposal to amend the enabling statute for the Payroll Mobility Tax (PMT) to no longer require that the receipts due to the MTA be appropriated by the State Legislature, which is intended to improve the credit quality of bonds of the MTA that may be secured by the PMT, and has the effect of lowering reported State Operating Funds receipts and disbursements. In general, if these and other transactions are not enacted as proposed or not implemented as planned, annual spending growth in State Operating Funds would increase above current projections.

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

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

State Finance Law also requires DOB to prepare a pro forma financial plan using, to the extent practicable, GAAP. The GAAP-basis financial plan is informational only and 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, but there can be no assurance that the pro forma GAAP Financial Plan conforms to all GAAP principles.

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

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

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

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Overview of the Updated Financial Plan

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Overview of the Updated Financial Plan

The following provides certain Updated Financial Plan information for FYs 2017, 2018 and 2019.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)					
	FY 2017	FY 2018		FY 2019	
	Results	Mid-Year Estimate	Current Estimate	Before Changes ²	Executive Amended
State Operating Funds Disbursements					
Size of Budget	\$96,199	\$98,104	\$98,126	\$102,772	\$99,977
Annual Growth	2.0%	2.0%	2.0%	4.7%	1.9%
Other Disbursement Measures					
General Fund (Excluding Transfers) ¹	\$57,988	\$60,678	\$60,343	\$64,870	\$62,890
Annual Growth	2.3%	4.6%	4.1%	7.5%	4.2%
General Fund (Including Transfers) ^{1,3}	\$68,080	\$70,373	\$70,023	\$76,888	\$74,232
Annual Growth	0.1%	3.4%	2.9%	9.8%	6.0%
Capital Budget (Federal and State)	\$10,156	\$13,020	\$12,675	\$15,068	\$14,490
Annual Growth	13.1%	28.2%	24.8%	18.9%	14.3%
Federal Operating Aid	\$50,659	\$52,929	\$53,636	\$54,441	\$53,718
Annual Growth	24.8%	4.5%	5.9%	1.5%	0.2%
All Funds ⁴	\$157,014	\$164,053	\$164,437	\$172,281	\$168,185
Annual Growth	9.1%	4.5%	4.7%	4.8%	2.3%
Capital Budget (Including "Off-Budget" Capital ⁵)	\$10,737	\$13,703	\$13,359	\$15,739	\$15,165
Annual Growth	12.4%	27.6%	24.4%	17.8%	13.5%
All Funds (Including "Off-Budget" Capital ⁵)	\$157,595	\$164,736	\$165,121	\$172,952	\$168,860
Annual Growth	9.1%	4.5%	4.8%	4.7%	2.3%
Inflation (CPI)	1.6%	1.9%	2.0%	2.1%	2.2%
All Funds Receipts					
Taxes	\$74,372	\$77,088	\$78,952	\$80,371	\$77,429
Annual Growth	-0.4%	3.7%	6.2%	1.8%	-1.9%
Miscellaneous Receipts	\$26,594	\$27,736	\$27,829	\$26,638	\$27,899
Annual Growth	-2.5%	4.3%	4.6%	-4.3%	0.3%
Federal Receipts	\$55,406	\$57,348	\$57,777	\$58,886	\$57,878
Annual Growth	24.5%	3.5%	4.3%	1.9%	0.2%
Total Receipts ⁴	\$156,372	\$162,172	\$164,558	\$165,895	\$163,206
Annual Growth	6.8%	3.7%	5.2%	0.8%	-0.8%
General Fund Cash Balance	\$7,749	\$6,882	\$9,167	\$5,220	\$5,120
Tax Stabilization/Rainy Day Reserve	\$1,798	\$1,798	\$1,798	\$1,798	\$1,798
Extraordinary Monetary Settlements	\$5,335	\$4,369	\$4,749	\$2,707	\$2,646
All Other Reserves/Fund Balances	\$616	\$715	\$2,620	\$715	\$676
Debt					
Debt Service as % All Funds Receipts	4.1%	3.7%	3.9%	3.8%	3.5%
State-Related Debt Outstanding	\$50,709	\$52,174	\$51,970	\$55,085	\$55,182
Debt Outstanding as % Personal Income	4.3%	4.3%	4.3%	4.3%	4.3%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	117,907	118,481	118,512	118,481	118,705

Source: DOB.

¹ FY 2019 Executive Proposal for General Fund, with and without transfers, excludes the reclassification of mental hygiene funds from Special Revenue Funds, and certain DOT and DMV operating expenses from the Dedicated Highway and Bridge Trust Fund, to the General Fund.

² Before Executive proposals to balance the FY 2019 budget.

³ Annual growth includes the planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

⁴ All Funds disbursements are expected to exceed receipts (including other financing sources) in FY 2018 and FY 2019 with the difference funded from other available resources, including Extraordinary Monetary Settlements and GO bond proceeds to reimburse planned first-instance capital spending.

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

Summary

The Governor submitted his FY 2019 Executive Budget proposal on January 16, 2018, and amendments through February 15, 2018 (the "Executive Budget"), as permitted by law. On February 15, 2018, 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 2018) and projections for FY 2019 through FY 2021, and initial projections for FY 2022, which reflect the estimated impact of the Executive Budget.

The projections for FY 2019 through FY 2022 assume the Legislature enacts the Executive Budget in its entirety and without modification by the start of FY 2019, which begins on April 1, 2018. The Executive Budget is awaiting action by the Legislature. There can be no assurance the Legislature will adopt all, or any specific portion, of the Executive Budget as proposed. Accordingly, there can be no assurance the fiscal impact of the FY 2019 budget, when adopted, will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan that are included in this AIS Update.

FY 2018

- Through December 31, 2017, the State received a one-time acceleration of personal income tax payments as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable aggregate itemized deduction of State and local income taxes (SALT), and local real property taxes, to a maximum of \$10,000 on Federal income tax returns. DOB estimates that approximately \$1.9 billion in tax receipts were accelerated from tax year 2018 to 2017 due to this behavioral response. The acceleration is expected to result in an identical reduction in PIT receipts in FY 2019. Accordingly, the increase in cash in FY 2018 that DOB attributes to the one-time acceleration of PIT receipts will be carried forward for financial planning purposes and used to offset the anticipated corresponding loss of PIT receipts in FY 2019.
- DOB expects the Updated Financial Plan for FY 2018 to remain in balance on a cash basis in the General Fund, exclusive of the impact of the accelerated tax receipts.
- State Operating Funds disbursements are estimated at \$98.1 billion in FY 2018, consistent with the 2 percent annual spending growth benchmark. The calculation of SOF disbursements is consistent with the accounting of financial transactions in the FY 2018 Enacted Budget, as reflected in the AIS.

FY 2019

- The FY 2019 budget must close a General Fund budget gap estimated at \$4.4 billion. The projected budget gap, while unremarkable compared to those recorded during and after the last recession, is the largest since FY 2012 in both absolute dollars and as a percentage of tax receipts. The budget gaps for future years, before accounting for proposed savings in the Executive Budget Financial Plan, are estimated at \$6.4 billion in FY 2020, \$8.1 billion in FY 2021, and \$8.4 billion in FY 2022.
- Several factors contribute to the size of the projected budget gaps, including persistent shortfalls in tax collections compared with DOB estimates.
- Beyond the projected budget gaps, actions by the Federal government pose a heightened risk to State finances. The enactment of Federal tax law changes is currently projected to add \$1.1 trillion to the Federal deficit over the next five years,² increasing the likelihood that Congress will seek material cuts in aid programs. Funding at risk includes, but is not limited to, health care subsidies required under the Affordable Care Act, and Disproportionate Share Hospital aid. DOB is actively monitoring these risks.
- DOB estimates that the Executive Budget, if enacted as proposed, would eliminate the estimated General Fund budget gap of \$4.4 billion in FY 2019 and reduce subsequent budget gap projections to \$3.5 billion in FY 2020, \$5.2 billion in FY 2021, and \$5.1 billion in FY 2022. DOB estimates that if future budgets hold spending growth to 2 percent annually in State Operating Funds, the General Fund would have a budget gap of \$812 million in FY 2020 and \$429 million in FY 2021, and a surplus in FY 2022. These calculations assume that all savings from the reductions in spending are made available to the General Fund, and does not include the potential additional Federal cuts in aid programs described above.

² Joint Committee on Taxation, Macroeconomic Analysis of the Conference Agreement for H.R. 1, the "Tax Cuts and Jobs Act" (JCX- 69-17), December 22, 2017.

FY 2018 Financial Plan Update

DOB estimates that the Updated Financial Plan provides for balanced operations in the General Fund in FY 2018. The following table summarizes the projected annual change from FY 2017 to FY 2018 in General Fund receipts, disbursements, and fund balances, with and without the impact of Extraordinary Monetary Settlements activity (for purposes other than operating relief and the funding set aside for potential costs of labor contracts).

GENERAL FUND FINANCIAL PLAN (millions of dollars)				
	FY 2017 Results	FY 2018 Current	Annual Change	
			Dollar	Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,414	(220)	-8.4%
Total Receipts	<u>65,641</u>	<u>70,630</u>	<u>4,989</u>	<u>7.6%</u>
Taxes	62,264	67,288	5,024	8.1%
Miscellaneous Receipts/Federal Grants ¹	2,661	2,135	(526)	-19.8%
Transfers from Other Funds	716	1,207	491	68.6%
Total Disbursements	<u>65,963</u>	<u>69,318</u>	<u>3,355</u>	<u>5.1%</u>
Local Assistance	44,439	46,501	2,062	4.6%
State Operations	13,549	13,842	293	2.2%
Transfers to Other Funds ¹	7,975	8,975	1,000	12.5%
Net Change in Operations	(322)	1,312	1,634	507.5%
Deposit to/ Use Of Reserves ²	102	692	590	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) ²	<u>2,414</u>	<u>4,418</u>	<u>2,004</u>	<u>83.0%</u>
Extraordinary Monetary Settlements ¹				
Settlements on Hand as of April 1	6,300	5,335	(965)	-15.3%
New Settlements Received/Expected	1,317	838	(479)	-36.4%
Transfers/Uses ²	(2,282)	(1,424)	858	37.6%
Closing Balance (Extraordinary Monetary Settlements)	<u>5,335</u>	<u>4,749</u>	<u>(586)</u>	<u>-11.0%</u>
Closing Fund Balance (Including Extraordinary Monetary Settlements)	<u>7,749</u>	<u>9,167</u>	<u>1,418</u>	<u>18.3%</u>

¹ New settlements received reflect the gross value of Extraordinary Monetary Settlements paid to the State, and the uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.

² In FY 2017, \$102 million in Extraordinary Monetary Settlements were used for operations. In FY 2018, \$461 million in Extraordinary Monetary Settlements are expected to be used for operations and \$76 million to fund an unbudgeted litigation payment. Another \$155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance.

The State expects to end FY 2018 with a General Fund cash balance of \$9.2 billion, an increase of \$1.4 billion from FY 2017 results. DOB intends to make transfers of Extraordinary Monetary Settlements on an as-needed basis each year as spending occurs from appropriations funded with the Extraordinary Monetary Settlements. Legislation approved in the FY 2017 Enacted Budget provides transfer authority from the General Fund to the Dedicated Infrastructure and Investment Fund (DIIF) through FY 2021.

Receipts³

General Fund receipts, including transfers from other funds, are estimated to total \$70.6 billion in FY 2018, an increase of \$5.0 billion (7.6 percent) from FY 2017 results. Estimated tax collections, including transfers of tax receipts to the General Fund after payment of debt service, total \$67.3 billion in FY 2018, an increase of \$5.0 billion (8.1 percent) from FY 2017 results.

The PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, are estimated to total \$46.6 billion, an increase of \$3.8 billion (8.9 percent) from FY 2017. Roughly half of the increase is due to an acceleration of personal income tax payments due in calendar year 2018 as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable aggregate itemized deduction of State and local income taxes, and local real property taxes, to a maximum of \$10,000 on Federal income tax returns. Excluding this acceleration, PIT receipts are projected to grow \$1.9 billion (4.5 percent), mainly due to higher withholding and estimated payments attributable to the projected increase in wage and non-wage income. In addition, a decline in STAR Fund deposits associated with legislation included in the FY 2018 Enacted Budget increases General Fund tax receipts. These increases are partially offset by the first year of middle-income tax cuts enacted by the State in FY 2017.

Consumption/use tax receipts, including transfers after payment of debt service on the Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total \$13.2 billion in FY 2018, an increase of \$606 million (4.8 percent) from FY 2017, which mainly reflects projected growth in disposable income and taxable consumption.

Business tax receipts are estimated at \$5.1 billion in FY 2018, an increase of \$347 million (7.3 percent) from FY 2017 results. The growth is primarily attributable to growth in corporate profits and increased audit receipts, partially offset by increased refunds as taxpayers continue to adjust to tax law changes made under the 2014 corporate tax reform⁴.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total \$2.3 billion in FY 2018, an increase of \$248 million (12.1 percent) from FY 2017. This increase is mainly attributable to actual estate tax receipts through December 2017 that included one payment in excess of \$130 million.

Non-tax receipts and transfers are estimated at \$3.3 billion in FY 2018, a decrease of \$35 million from FY 2017, which largely reflects State Insurance Fund (SIF) reserves released in FY 2017 that do not recur in FY 2018.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances among funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2018 Through 2022."

³ The reported activity by Financial Plan category excludes the impact of Extraordinary Monetary Settlements on receipts and disbursements.

⁴ Part A of Chapter 59 of the Laws of 2014.

Disbursements⁵

General Fund disbursements, including transfers to other funds, are expected to total \$69.3 billion in FY 2018, an increase of \$3.4 billion (5.1 percent) from FY 2017. General Fund disbursements reflect conservative estimates of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

Local assistance spending is estimated at \$46.5 billion in FY 2018, an increase of \$2.1 billion (4.6 percent) from FY 2017. The increase is primarily driven by School Aid (\$1.3 billion on a State fiscal year basis) and by Medicaid and the Essential Plan (EP) (\$914 million).

General Fund personal and non-personal service costs are expected to total \$8.2 billion in FY 2018, an increase of \$105 million (1.3 percent) from FY 2017. Operating costs for many agencies are charged to several funds outside the General Fund, and are thus affected by varying levels of offsets and accounting reclassifications. On a State Operating Funds basis, most executive agencies are expected to hold operations spending at FY 2017 levels.⁶ The Updated Financial Plan estimates for State Operations are affected by the reclassification to Capital Projects Funds of certain personnel expenses related to maintenance and preservation of State assets; the costs of approved labor settlements, as well as the potential costs of unsettled labor agreements with State unions; and expected savings from agency management plans.

General State Charges (GSCs), which account for fringe benefits and certain fixed costs, are projected to increase by \$188 million (3.4 percent) over FY 2017. Health insurance costs for State employees and retirees are projected to increase by \$260 million (7 percent), reflective of medical inflation and enrollment levels. The State's annual pension payment is projected to grow by \$14 million (0.6 percent).

General Fund transfers to other funds are projected to total \$9.0 billion in FY 2018, an increase of \$1.0 billion (12.5 percent) from FY 2017. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) are projected to increase by \$857 million, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF. Debt service transfers are expected to increase by \$113 million, mainly due to year-to-year differences in the amount of debt service paid in one fiscal year but due in the following fiscal year.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2018 through 2022."

⁵ The reported activity by Financial Plan category excludes the impact of Extraordinary Monetary Settlements on receipts and disbursements.

⁶ Limited exceptions include DOH costs attributable to Medicaid administration, the EP program and increased State Police costs for additional security.

FY 2018 General Fund Revisions

The following table summarizes the revisions to the FY 2018 Enacted Budget Financial Plan. Descriptions of the changes follow the table below.

SUMMARY OF REVISIONS TO ENACTED BUDGET FINANCIAL PLAN	
GENERAL FUND BUDGETARY BASIS OF ACCOUNTING - SAVINGS/(COSTS)	
(millions of dollars)	
	FY 2018
ENACTED BUDGET SURPLUS/(GAP)	0
Receipts Revisions¹	344
BNPP Settlement Payment	350
Tax Receipts	(6)
Disbursement Revisions	(34)
Local Assistance	(12)
Agency Operations	(40)
CSX Judgment Payment	(39)
Other Transfers	57
Change in Reserves	(310)
Extraordinary Monetary Settlements	(311)
BNPP Settlement Payment	(350)
CSX Judgment Payment	39
Community Projects Fund	1
FIRST QUARTERLY UPDATE BUDGET SURPLUS/(GAP)	0
Receipts Revisions¹	(672)
Tax Receipts (before Debt Service)	(845)
Debt Service (impact on Tax Receipts) ¹	(61)
Habib Settlement Payment	225
Other Non-Tax Receipts	9
Disbursements Revisions	860
Local Assistance	329
Agency Operations	80
Transfers to Other Funds	451
Change in Extraordinary Monetary Settlements Reserve	(188)
Habib Settlement Payment	(225)
CSX Payment	37
MID-YEAR UPDATE SURPLUS/(GAP)	0
Receipts Revisions¹	1,935
PIT Revisions	2,304
Accelerated Estimated Payments	1,905
Other PIT Revisions	399
Other Tax Changes	(399)
Credit Suisse Settlement Payment	135
Western Union Settlement Payment	60
Cigna Settlement Payment	2
Other Non-Tax Revisions	(167)
Disbursements Revisions	350
Local Assistance	251
Agency Operations	84
Debt Service Prepayment	(340)
Transfers to DIIF	183
All Other Transfers	172
Change in Extraordinary Monetary Settlements Reserve	(380)
Settlement Payments Received	(197)
DIIF Transfer Revision	(183)
Tax Collection Reserve	(1,905)
EXECUTIVE BUDGET SURPLUS/(GAP)	0
1. Includes the impact of changes to estimated debt service and STAR that alter the amount of tax receipts that are transferred to the General Fund.	

Receipts Revisions

General Fund receipts, including transfers from other funds, are now estimated to total \$71.4 billion in FY 2018, an increase of \$1.6 billion from the Enacted Budget Financial Plan estimate, which largely reflects the acceleration of PIT payments described below.

- **Tax Receipts.** PIT receipts are higher than expected in the FY 2018 Enacted Budget Financial Plan due to an acceleration of personal income tax payments during calendar year 2017 as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable itemized deduction of State and local income taxes, as well as local real property taxes, to a maximum of \$10,000 on Federal income tax returns. DOB has increased PIT estimates upward which reflects \$1.9 billion in higher than expected receipts attributable to accelerated payments, partly offset by lower than expected receipts from other tax receipts adjustments. Such tax receipts adjustments reflect lower business tax receipts that reflect lower corporate franchise tax payments and lower sales tax receipts estimates that reflect weaker than expected consumer spending, partly offset by increases to estimated estate tax receipts.
- **Extraordinary Monetary Settlement Payments.** The State received a \$350 million civil monetary penalty payment from BNP Paribas, S.A., New York Branch (“BNPP” or “BNP Paribas”) in June 2017 pursuant to a consent order between the New York State Department of Financial Services (DFS) and BNPP; a \$225 million civil monetary penalty payment from Habib Bank in September 2017 pursuant to a consent order between DFS and Habib Bank Limited, New York Branch (together “Habib Bank”); a \$135 million civil monetary penalty payment from Credit Suisse AG and Credit Suisse AG, New York Branch (together “Credit Suisse”), pursuant to a November 2017 consent order between DFS and Credit Suisse; and \$2 million from Cigna Health and Life Insurance Company (“Cigna”), for a civil monetary penalty pursuant to a November 2017 consent order between Cigna and DFS. In addition, the State received \$60 million from a civil monetary penalty pursuant to a January 2018 consent order between Western Union and DFS.
- **Other Non-Tax Revisions.** Certain miscellaneous receipts have been revised based on results to date and updated information. In addition, revisions to debt service reduce the amount of PIT receipts transferred to the General Fund.

Disbursements Revisions

General Fund disbursements, including transfers to other funds, are expected to total \$70.0 billion in FY 2018, a decrease of \$1.2 billion from the estimates in the Enacted Budget Financial Plan. Revisions to General Fund disbursements estimates are based on a review of operating results and updated information on programs and activities.

- **Local Assistance.** General Fund disbursements for local assistance are expected to total \$46.5 billion in FY 2018, a decrease of \$567 million from the FY 2018 Enacted Budget Financial Plan. Spending has been lowered to reflect revised spending patterns attributable to certain public assistance and education programs, as well as revised

timelines for ongoing transformation and efforts to ensure the efficient use of State resources in the mental hygiene service delivery system.

- **Agency Operations.** General Fund disbursements for agency operations, including fringe benefits, are expected to total \$13.8 billion in FY 2018, a decrease of \$124 million from the FY 2018 Enacted Budget Financial Plan estimates. Spending has been lowered to reflect revised estimates of agency fringe benefit spending, and the reimbursement of such payments to the General Fund, based on recent billing and payment activity.
- **Transfers.** General Fund transfers to other funds are expected to total \$9.7 billion in FY 2018, a decrease of \$485 million from the FY 2018 Enacted Budget Financial Plan estimates. General Fund transfers to Capital Projects Funds are expected to be lower than previously anticipated, mainly due to higher than expected capital reimbursements from bond proceeds in FY 2018 and revised levels of spending. Partly offsetting these decreases in General Fund transfers to other funds is the expected payment of \$340 million of FY 2019 debt service expenses in FY 2018. The State also paid \$100 million to settle two eminent domain cases with CSX (CSX 1 and CSX 2), including interest and fees. The First Quarterly Update to the Financial Plan reflected an initial cost estimate of \$63 million (\$39 million State share and \$24 million Federal share), plus applicable interest charges and attorneys' fees for CSX 1. The Updated Financial Plan reflects the additional \$37 million paid by the State to finalize the settlement of both CSX 1 and CSX 2, with \$75 million attributable to CSX 1 and \$25 million attributable to CSX 2. The total \$76 million State share of the \$100 million settlement for CSX 1 and CSX 2 has been paid from the DHBTF, with the transfer funded with a portion of the Extraordinary Monetary Settlements received since adoption of the FY 2018 Enacted Budget.

FY 2018 Closing Balance

DOB projects that the State will end FY 2018 with a General Fund cash balance of \$9.2 billion, an increase of \$1.4 billion from FY 2017. The estimated balance of Extraordinary Monetary Settlements at the close of FY 2018 is \$4.7 billion, a decrease of \$586 million from FY 2017. (See "Uses of Extraordinary Monetary Settlements" herein.)

The estimated General Fund cash balance, excluding Extraordinary Monetary Settlements, is \$4.4 billion at the close of FY 2018, or \$2.0 billion higher than FY 2017. The annual change in the balance reflects a \$1.9 billion increase to the undesignated fund balance which will be carried into FY 2019 to offset PIT estimated payment reductions due to FY 2018 accelerations referred to above.

TOTAL BALANCES (millions of dollars)			
	<u>FY 2017 Results</u>	<u>FY 2018 Current</u>	<u>Annual Change</u>
TOTAL GENERAL FUND BALANCE	7,749	9,167	1,418
General Fund (Excl. Extraordinary Monetary Settlements)	2,414	4,418	2,004
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	56	39	(17)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	25	155	130
Undesignated Fund Balance	14	1,905	1,891
Extraordinary Monetary Settlements Fund Balance	5,335	4,749	(586)

FY 2019 Financial Plan

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

- **Mental Hygiene Fund Reclassification.** Spending from two State Special Revenue Fund accounts, the Mental Hygiene Program Fund and Patient Income Account, is reclassified to the General Fund to improve reporting transparency by eliminating large transfers between funds. The reclassification moves local assistance and operations spending, as well as the supporting revenue, into the General Fund, and eliminates transfers from the General Fund to the two Mental Hygiene State Special Revenue Fund accounts. In addition, roughly \$1.4 billion of fringe benefit spending associated with Mental Hygiene agencies will move from the respective agencies to the central General State Charges budget. Approximately \$60 million in indirect costs will no longer be reported in statewide spending.
- **DOT/DMV Operating Cost Reclassification.** Certain DOT and DMV operating costs related to snow and ice removal, bus, truck and rail inspection, and DMV regulatory activities are reclassified from the DHBTF to the General Fund. In the General Fund, the increased operating spending is offset by an identical reduction in the transfer to the DHBTF. The reclassification will better align operating and capital functions with dedicated revenue sources.

The following table summarizes the projected annual change from FY 2018 to FY 2019 in General Fund receipts, disbursements, and fund balances, with and without the impact of Extraordinary Monetary Settlements. The table also excludes the impact of the reclassifications described above.

GENERAL FUND FINANCIAL PLAN (millions of dollars)							
	FY 2018 Current	FY 2019 Proposed	MH Reclass	DOT/DMV Reclass	FY 2019 Adjusted	Adjusted Annual Change	
						Dollar	Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,414	4,418	0	0	4,418	2,004	83.0%
Total Receipts	<u>70,630</u>	<u>71,201</u>	<u>986</u>	<u>30</u>	<u>70,185</u>	<u>(445)</u>	<u>-0.6%</u>
Taxes	67,288	66,801	0	0	66,801	(487)	-0.7%
Miscellaneous Receipts/Federal Grants ¹	2,135	2,019	(166)	30	2,155	20	0.9%
Transfers from Other Funds	1,207	2,381	1,152	0	1,229	22	1.8%
Total Disbursements	<u>69,318</u>	<u>73,528</u>	<u>986</u>	<u>30</u>	<u>72,512</u>	<u>3,194</u>	<u>4.6%</u>
Local Assistance	46,501	49,938	1,710	0	48,228	1,727	3.7%
State Operations	13,842	19,125	4,075	388	14,662	820	5.9%
Transfers to Other Funds ¹	8,975	4,465	(4,799)	(358)	9,622	647	7.2%
Net Change in Operations	1,312	(2,327)	0	0	(2,327)	(3,639)	-277.4%
Deposit to/ Use Of Reserves ²	692	383			383	(309)	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) ²	<u>4,418</u>	<u>2,474</u>	<u>0</u>	<u>0</u>	<u>2,474</u>	<u>(1,944)</u>	<u>-44.0%</u>
Extraordinary Monetary Settlements ¹							
Settlements on Hand as of April ¹	5,335	4,749			4,749	(586)	-11.0%
New Settlements Received/Expected	838	0			0	(838)	-100.0%
Transfers/Uses ²	(1,424)	(2,103)			(2,103)	(679)	-47.7%
Closing Balance (Extraordinary Monetary Settlements)	<u>4,749</u>	<u>2,646</u>			<u>2,646</u>	<u>(2,103)</u>	<u>-44.3%</u>
Closing Fund Balance (Including Extraordinary Monetary Settlements)	<u>9,167</u>	<u>5,120</u>			<u>5,120</u>	<u>(4,047)</u>	<u>-44.1%</u>

¹ New settlements received reflect the gross value of Extraordinary Monetary Settlements paid to the State. The uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.

² In FY 2018, \$461 million in Extraordinary Monetary Settlements are expected to be used for operations and \$76 million will fund an unbudgeted litigation payment. Another \$155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance. In FY 2019, \$383 million in Extraordinary Monetary Settlements are expected to be used for operations.

As shown in the table above, the State expects to end FY 2019 with a General Fund cash balance of \$5.1 billion, a decrease of \$4 billion from FY 2018 estimates. DOB intends to make transfers of Extraordinary Monetary Settlements on an as-needed basis over a multi-year period as spending occurs from appropriations funded with the settlements.

Receipts⁷

General Fund receipts, including transfers from other funds, are projected to total \$70.2 billion in FY 2019, a decrease of \$445 million (0.6 percent) from FY 2018 estimates. The acceleration of personal income tax payments for calendar year 2018 results in a year-to-year decrease of \$3.8 billion. Excluding the accelerated payments, total receipts increase \$3.4 billion or 4.9 percent.

General Fund PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds are expected to total \$45.1 billion, an annual decline of \$1.5 billion. The decline is the result of the shift of an estimated \$1.9 billion of receipts from FY 2019 into FY 2018 due to Federal tax reform. Underlying PIT growth is consistent with forecasted economic growth.

General Fund consumption/use tax receipts, including transfers after payment of debt service on LGAC and Sales Tax Revenue Bonds, are estimated to total \$13.8 billion, an annual increase of \$511 million (3.9 percent), which reflects projected growth in disposable income and taxable consumption, as well as the Executive Budget proposals.

General Fund business tax receipts are estimated at \$5.9 billion, an increase of \$761 million (14.9 percent). This growth is due to projected increases in corporate profits and Executive Budget proposals.

Other tax receipts to the General Fund are expected to total \$2.1 billion, a decrease of \$213 million (9.3 percent), reflecting a return to an average number of estate tax payments exceeding \$25 million.

Non-tax receipts are estimated at \$3.4 billion, an increase of \$42 million.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances between funds of the State, and other factors. For a more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2018 Through 2022" herein.

⁷ The reported activity by Financial Plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that are proposed to take effect in FY 2019.

Disbursements⁸

General Fund disbursements, including transfers to other funds, are expected to total \$72.5 billion in FY 2019, an annual increase of \$3.2 billion (4.6 percent).

Local assistance grants are expected to total \$48.2 billion in FY 2019, an annual increase of \$1.7 billion (3.7 percent). The largest increases include \$682 million for School Aid (on a State fiscal year basis), \$479 million for Medicaid, \$194 million for the MTA Subway Action Plan (described below) and \$228 million for Higher Education. The latter reflects continued support for student financial aid programs including the Excelsior Free Tuition Program, fringe benefit costs, and the timing of certain payments.

General Fund disbursements for agency operations, including fringe benefits and fixed costs, are expected to total \$14.7 billion, an annual increase of \$820 million (5.9 percent). Personal and non-personal service costs increase \$399 million from the current year, reflecting increased personal service costs driven by settled and expected labor agreements. Costs associated with State employees and retiree health insurance are expected to increase by \$315 million (7.9 percent), mainly due to negotiated rate increases reflecting medical cost inflation and current enrollment levels. The State's net costs for Workers' Compensation are expected to increase by \$150 million (46 percent), due to underlying growth in the average weekly wage for benefit calculations and medical costs (\$45 million), as well as a reduction in the use of offsetting revenue (\$105 million).

General Fund transfers to other funds are estimated to total \$9.6 billion, an increase of \$647 million. The increase is mainly due to transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursements projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2018 through 2022" herein.

⁸ The reported activity by Financial Plan category excludes the impact of (a) Extraordinary Monetary Settlements on receipts and disbursements and (b) the fund reclassifications for mental hygiene activity and the DHBTF that are proposed to take effect in FY 2019.

Closing Balance for FY 2019

DOB projects that the State will end FY 2019 with a General Fund cash balance of \$5.1 billion, a decrease of \$4.0 billion from FY 2018. The General Fund cash balance, excluding Extraordinary Monetary Settlements, is estimated at \$2.5 billion, or \$1.9 billion lower than the estimated closing balance at the end of FY 2018. The change is almost entirely due to the use of the \$1.9 billion in cash from PIT tax receipts accelerated into FY 2018, as well as the projected spending of resources in the Community Projects Fund.

Balances in the State's principal "rainy day" reserves, the Tax Stabilization Reserve and the Rainy Day Reserve, are expected to remain unchanged at \$1.8 billion.

The Executive Budget Financial Plan maintains a reserve of \$500 million for debt management purposes in FY 2019. DOB will decide on the use of these funds based on market conditions, Updated Financial Plan needs, and other factors.

The balance from Extraordinary Monetary Settlements at the close of FY 2019 is expected to total \$2.6 billion, a decrease of \$2.1 billion from the estimated FY 2018 closing balance. The decrease reflects the planned use of Extraordinary Monetary Settlements to fund Capital Projects Funds from DIIF (\$1.4 billion); the MTA Subway Action Plan (\$194 million); and general operations (\$383 million). The State's principal reserves are expected to remain unchanged from FY 2018. (See "Uses of Extraordinary Monetary Settlements" herein.)

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due without having to temporarily borrow from the Short-Term Investment Pool (STIP). The State continues to reserve money on a quarterly basis for debt service payments that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

TOTAL BALANCES (millions of dollars)			
	FY 2018 Current	FY 2019 Proposed	Annual Change
TOTAL GENERAL FUND BALANCE	9,167	5,120	(4,047)
General Fund (Excl. Extraordinary Monetary Settlements)	4,418	2,474	(1,944)
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	39	0	(39)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	155	155	0
Undesignated Fund Balance	1,905	0	(1,905)
Extraordinary Monetary Settlements Fund Balance	4,749	2,646	(2,103)

FY 2019 Detailed Gap-Closing Plan

The following table and narrative summarize the proposed gap-closing plan. To the extent the State enacts budgets that adhere to the 2 percent spending benchmark, the level of savings required in each subsequent year to hold spending to 2 percent would be lower.

FY 2019 EXECUTIVE BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)				
	FY 2019	FY 2020	FY 2021	FY 2022
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE ¹	(4,443)	(6,385)	(8,053)	(8,413)
SPENDING CHANGES	2,672	1,465	1,472	1,820
Local Assistance	1,317	1,413	1,462	1,960
Education:	533	888	1,056	1,138
School Aid - Update to Personal Income Growth Index (1.5%)	431	747	910	1,010
School Aid - School Year Increase Above PIGI to 3%	(199)	(294)	(306)	(319)
School Aid - November Database Update	205	139	139	139
Other Education	96	296	313	308
Health Care:	396	304	282	225
Global Cap	425	425	425	425
Minimum Wage	(125)	(184)	(229)	(300)
Other Health Care	96	63	86	100
Mental Hygiene	181	108	(16)	(135)
Human Services	162	182	240	237
STAR	110	130	124	600
MTA Subway Action Plan (One-Time Subsidy)	(194)	0	0	0
All Other	129	(199)	(224)	(105)
Agency Operations	446	67	(11)	(134)
Executive Agency Operations	416	38	(39)	(170)
University Systems	82	77	80	93
Elected Officials Budget Request	(52)	(48)	(52)	(57)
Debt Management/Capital	569	(15)	21	(6)
Prepayment of FY 2019 Debt Service Expenses	340	0	0	0
RESOURCE CHANGES	736	46	117	256
Taxpayer Acceleration of PIT Payments into FY 2018:	0	0	0	0
FY 2019 Impact of FY 2018 PIT Tax Acceleration	(1,905)	0	0	0
Offset to FY 2018 PIT Taxpayer Acceleration	1,905	0	0	0
Other Resource Changes:	736	46	117	256
Tax Receipts Revisions	60	20	19	19
Extraordinary Monetary Settlements - Operations	383	0	0	0
Extraordinary Monetary Settlements - MTA Subway Action Plan	194	0	0	0
Other Resource Changes	99	26	98	237
REVENUE ACTIONS	1,035	1,403	1,275	1,225
Health Insurance Conversions	500	500	500	500
Healthcare Insurance Windfall Profit Fee	140	140	140	140
Opioid Epidemic Surcharge	127	171	154	138
Discontinue ESCO Sales Tax Exemption	90	120	120	120
Defer Business Related Tax Credit Claims	82	278	199	164
Internet Fairness Conformity Tax	75	150	150	150
Improve Cigar Tax Enforcement	12	23	23	23
All Other Revenue Actions	9	21	(11)	(10)
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE (Before) ¹	0	(3,471)	(5,189)	(5,112)
ADHERENCE TO 2% SPENDING BENCHMARK (After) ²	0	2,659	4,760	5,640
EXECUTIVE BUDGET SURPLUS/(GAP)	0	(812)	(429)	528
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 2018 SOF spending estimate). The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. 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 discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).				

Spending Changes

The Executive Budget Financial Plan reduces General Fund spending in FY 2019 by \$2.7 billion, net of new initiatives and costs, compared to the FY 2019 baseline estimate.⁹ The reductions include reestimates to spending based on updated information, specific cost-containment proposals, and the prepayment of FY 2019 expenses from excess resources expected to be available in FY 2018.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate \$1.3 billion in General Fund savings. Savings are expected from both targeted actions and continuation of prior-year cost containment.

School Aid and Medicaid are the State's largest local assistance programs, comprising over 45 percent of the State Operating Funds budget. The Executive Budget Financial plan provides for the following:

- **Education.** A lower-than-projected increase in the Personal Income Growth Index (PIGI) results in reduced School Aid spending growth based upon the School Aid formula. The actual SY 2019 PIGI is 1.5 percent, compared to the previously estimated 3.9 percent, generating multi-year savings. The Executive Budget Financial Plan reflects a proposed total of \$26.4 billion in aid for the 2018-19 school year, increasing school aid by \$769 million, or 3 percent over the prior school year. This increase is double the amount of the 1.5 percent indexed formula.

In addition, updates to the School Aid database indicate a decline in SY 2018 aid compared with the FY 2018 Enacted Budget Financial Plan estimates. Similarly, grant-based awards for School Aid are spending more slowly than anticipated. Other education savings include the restructuring of aid to private colleges, as well as revisions to the methodology used to reimburse school districts for summer school special education tuition costs which will now involve using the same wealth-equalized aid ratio that is used to reimburse school districts for similar programs operated during the school year; and one-time audit recoveries for the preschool special education program expected in FY 2019.

The Executive Budget Financial Plan reflects the proposed additional funding for several new initiatives to eliminate barriers to receiving school meals. In addition, funding for the Non-public School Health and Safety Equipment Program is expected to be provided through the Capital Projects Funds.

⁹ Published in the 2018 Mid-Year Update, November 2017.

- **Health Care.** Medicaid spending under the Global Cap¹⁰ is expected to total \$18.9 billion in FY 2019, an increase of \$593 million, consistent with the statutory index of 3.2 percent. The Global Cap is expected to provide \$425 million in General Fund savings in FY 2019. Total Medicaid spending, including spending outside the Global Cap, is expected to increase to \$20.6 billion in FY 2019. The Financial Plan will continue to fund, outside the Global Cap, increases in the minimum wage for health care providers (\$703 million) in FY 2019. In addition, the State continues to provide capital funding to the State's health care delivery system. The FY 2019 Executive Budget Financial Plan includes \$425 million in new health care capital spending, funded with bonds (\$300 million) and Extraordinary Monetary Settlements (\$125 million). The Executive Budget Financial Plan includes an additional \$425 million for non-DOH Medicaid expenses within the Global Cap. To achieve savings within the Global Cap to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effective delivery of the statewide Medicaid program. These reforms include modifications to the Medicaid long-term care program to ensure access to long-term care services and support a growing aging population; continued controls on Medicaid pharmaceutical costs; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; the authorization of retail practices; a continuation of transportation reforms through targeted investments; and expansion of certain Medicaid services, including covered tele-health and community paramedicine.

Medicaid costs attributable to the minimum wage increase are projected to be higher than initially estimated, mainly due to higher-than-expected enrollment growth in the long-term care sector for home and personal care services. The Updated Financial Plan reflects higher Medicaid spending of \$125 million in FY 2019 growing to \$300 million by FY 2022. The Executive Budget Financial Plan includes \$703 million to support the direct cost of FY 2019 minimum wage increases for health care workers who provide services reimbursed by Medicaid.

Other health care savings include initiatives to consolidate and reduce certain public health programs, providing increased flexibility to support ongoing public health programs or investments in new or emerging public health priorities; modifications to certain pharmacy benefit programs; reforms to increase reimbursements from third-party insurers and streamline the evaluation process for the Early Intervention program; and the elimination of COLA payments. The Updated Financial Plan also includes savings from the one-time recoupment of \$35 million from NYC in FY 2019 for ineligible School Nurse expenses included in claims from calendar years 2015 through 2017.

- **Mental Hygiene.** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts to ensure efficient use of State resources in the mental hygiene service delivery system.

¹⁰ The Medicaid Global Cap is a statutory limit on annual State-funded Medicaid expenditures, indexed to the Medical component of the Consumer Price Index (CPI). Total State-funded Medicaid expenditures also include certain program costs which are not subject to the indexed provisions of the Global Cap.

- **Human Services.** Savings reflect, among other things, expiration of State reimbursements to New York City for the Close to Home initiative; a cap on State-share reimbursement to NYC for child welfare spending, and reestimates to the disbursement estimates for other programs. Funding has been increased for higher projected public assistance caseload costs and to return child care subsidy funding to a level of \$806 million.
- **STAR.** The Executive Budget proposes freezing the exemption benefit, rather than allowing it to increase by up to 2 percent, and mandating enrollment in the Income Verification Program.
- **MTA Subway Action Plan.** The Executive Budget Financial Plan includes \$254 million in operating aid to fully fund the State's half of the MTA Subway Action Plan to address system failures, breakdowns, delays and deteriorating customer service, and to position the system for future modernization. State operating aid will be provided to the MTA from \$194 million in Extraordinary Monetary Settlements and \$60 million from accelerated transfer of Payroll Mobility Tax revenue. The Updated Financial Plan also includes \$174 million in new capital funding for the MTA as part of the MTA Subway Action Plan.
- **All Other.** Savings are expected as a result of updated spending projections across program areas, including: elimination of the planned FY 2019 1.9 percent human services cost-of-living increase; updated enrollment data for the State University of New York (SUNY) Community Colleges that results in a reduction in projected Full-Time Equivalent (FTE) students; and continued utilization of JP Morgan Settlement and Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs.

Spending increases in the outyears mainly reflects expected matching funds that will be provided to local governments that achieve savings consistent with County-wide Shared Services Property Tax Savings Plans; and funding for the proposed DREAM Act that extends student financial assistance to undocumented immigrant students pursuing higher education in New York.

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies and utilities). Reductions from current-services projections for agency operations contribute \$446 million to the General Fund gap-closing plan.

- **Executive Agencies.** The Executive Budget Financial Plan reflects agency spending held flat, on a State Operating Funds basis, with limited exceptions, such as DOH costs attributable to the New York State of Health (NYSOH) marketplace and the Essential Plan program. State agencies are expected to continue to use less costly forms of service delivery, improve administrative practices, and pursue statewide solutions, including the utilization of Lean initiatives to streamline operations and management. The Executive Budget Financial Plan also includes savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings.

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

Pension estimates reflect the planned payment of the full FY 2019 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2018, rather than on a monthly basis as previously assumed. Health insurance savings reflect elimination of the taxpayer-subsidized Income-Related Monthly Adjustment Amount (IRMAA) reimbursement for high income New York State Health Insurance Program (NYSHIP) enrollees, and from maintaining reimbursement of the standard Medicare Part B premium at \$134 per month.

The Executive Budget also proposes reforming the interest charged on judgments against the State from as high as 9 percent to a fair-market interest rate. The current rate was established in 1982 when interest rates were at 12 percent to avoid unnecessary taxpayer costs. The recommended rate is in line with the interest rate applied to judgements in Federal courts, and would ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated.

- **University Systems.** Savings reflect elimination of the SUNY hospital subsidy, which is reinvested to support capital infrastructure projects at SUNY's teaching hospitals.
- **Elected Officials/Judiciary.** The Executive Budget Financial Plan reflects the Judiciary's request to increase operating support, including retroactive payment of collective bargaining agreements and expected cost increases for legal representation in Family Court support resulting from Raise the Age legislation and the Attorney for the Child program. The Executive Budget Financial Plan reflects the Legislature's request to increase operating costs, including increases for personal service costs and equipment.

Debt Management/Capital Projects

The Executive Budget Financial Plan reflects FY 2019 debt service savings from the planned payment of \$340 million of FY 2019 expenses in FY 2018, as well as expected refundings, continued use of competitive bond sales, and other debt management actions. The use of available bond proceeds to reimburse capital spending from prior years, results in a downward revision to transfers needed to fund capital projects.

Resource Changes

- **Taxpayer Acceleration of PIT Payments into FY 2018.** The State received a surge in personal income tax payments during calendar year 2017 as taxpayers responded to Federal tax law changes that, starting in tax year 2018, limit the allowable deduction of State and local income taxes, as well as local real property taxes, to a maximum of \$10,000 on Federal income tax returns. DOB estimates that approximately \$1.9 billion in accelerated tax receipts were due to this behavioral response. The increase in cash in FY 2018 that DOB attributes to the acceleration of PIT receipts will be carried forward and used to offset the anticipated corresponding loss of PIT receipts in FY 2019.
- **Tax Receipts Revisions.** The Executive Budget Financial Plan reflects revisions to tax receipts across most tax categories, including the proposed decoupling of the State's tax law from the Federal cap with respect to the deductibility of SALT; changes and eliminations to certain Federal deductions; the temporary Federal medical expense deduction increase; child tax credit changes; and the single filer standard deduction. Executive Budget revisions proposed in response to the Federal tax law changes include:

- **Employer Compensation Expense Tax (ECET) System.** Federal tax changes limited the deductibility of State and local taxes for individuals who itemize their deductions, but maintained it for businesses. Legislation is proposed as part of the Executive Budget that, if enacted, would permit employers to opt-in to a new ECET system, which is intended to mitigate an increase in the tax burden for employees affected by the SALT limit. When fully phased in, employers that opt in to the ECET system would be subject to a 5 percent tax on all annual payroll expenses in excess of \$40,000 per employee. The ECET system, as proposed, would take effect on January 1, 2019. For employers who opt in, the new tax would be phased in over three years (1.5 percent in calendar year 2019, 3 percent in calendar year 2020, and 5 percent in calendar year 2021). The deadline for the first annual election for employers to opt in to this alternative system would be on October 1, 2018 for the tax year 2019.

The ECET proposal is designed to be revenue neutral for the State. As ECET collections rise, PIT collections are expected to fall by a comparable amount. The Executive Budget Financial Plan does not include any estimates for ECET collections since employer opt-in rates will not be known until October 2018. DOB expects to provide estimates in future AIS Updates as opt-in rates and other information become known.

- **Charitable Gifts Trust Fund.** Legislation submitted with the Executive Budget proposes the creation of two new State-operated Charitable Gifts Trust Funds to accept donations for the purposes of funding health care and education in New York. Taxpayers who itemize deductions can claim charitable gifts as deductions on their Federal and State tax income tax returns. In addition to the itemized deductions, any taxpayer making a donation to either or both of the two new State-operated funds will be eligible to claim a State tax credit on their income tax returns equal to 85 percent of the donation amount for the tax year following the year in which the donation is made. In addition, the legislation would allow school districts and other local governments the

option to create charitable funds and to provide a credit against local property tax bills equal to a percentage of the donation.

The Executive Budget Financial Plan does not include any estimates for charitable contributions under this program. Charitable giving is not expected to have a measurable financial impact on State PIT receipts in FY 2019. Donations made in tax year 2018 are not expected to be disbursed for charitable purposes until FY 2020, and the cost of the State tax credit will not be incurred until tax year 2019. However, changes in taxpayer behavior could affect the timing and amount of PIT receipts. DOB expects to include estimates on charitable giving in future updates, once activity on donations can be observed.

- **Decoupling From Federal Tax Code.** The State tax code is closely aligned with the Federal tax code. Legislation is proposed as part of the Executive Budget that is designed to decouple the State tax code from the Federal tax code, where necessary, to avoid more than \$1.5 billion in State tax increases that would otherwise result from the recently enacted changes in the Federal tax code. The decoupling provisions, which are projected to increase the budget gaps in FY 2020 and beyond, include:
 - **Federal Cap on SALT.** The Federal law changes capped the itemized deduction for SALT at a maximum of \$10,000. The Executive Budget Financial Plan reflects the inclusion of legislation to decouple from this cap so that New York taxpayers who itemize are not subject to a State tax increase from the flow through of this Federal cap to State income tax returns. Absent this proposal, PIT receipts would be projected to increase by \$441 million annually, beginning in FY 2020.
 - **Federal Changes and Eliminations to Certain Deductions.** The Executive Budget Financial Plan proposes to decouple from the Federal changes on other deductions. Absent this proposal, PIT receipts would be projected to increase by \$269 million annually, beginning in FY 2020.
 - **Temporary Federal Medical Expense Deduction Increase.** Federal changes lower the threshold by which to claim the itemized medical expense deduction for tax years 2017 and 2018, thereby lowering taxpayer liability. The Executive Budget Financial Plan reflects the proposal to decouple from this decrease from tax year 2018, which would have lowered receipts by \$25 million in FY 2020.
 - **New York Single Filer Standard Deduction.** The Federal repeal of personal exemptions eliminates the ability of New York single-filer taxpayers to claim the standard deduction for non-dependents on their State tax returns under current State tax law. The Executive Budget includes legislation to address this issue. Absent this legislation, New York taxpayers would be subject to a \$840 million annual State tax increase beginning in FY 2020.

- **Personal Income Tax Revenue Bonds (PIT Bonds).** The State finances a significant share of capital projects through the issuance of PIT Bonds. As of January 15, 2018, New York State had \$34.8 billion of PIT Bonds outstanding with a FY 2019 annual debt service cost of \$3.2 billion, all of which is secured by financing agreement payments made from the Revenue Bond Tax Fund (RBTF), comprising 25 percent of State PIT receipts, net of refunds. In FY 2019, the amount of PIT receipts dedicated to the repayment of PIT Bonds is estimated at \$12.3 billion. In the event that the ECET and Charitable Gifts Trust Fund proposals described above become law, the Executive Budget proposes legislation that would accompany their authorization to strengthen the debt service coverage on PIT Bonds by (i) increasing the percentage of PIT receipts dedicated to the payment of PIT Bonds from 25 percent to 50 percent, and (ii) dedicating 50 percent of ECET receipts to the payment of PIT Bonds. In addition, in the event that (a) the State Legislature fails to appropriate amounts required to make all debt service payments on PIT 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 PIT Bonds, the Executive Budget proposes to increase the required set-aside for the PIT Bonds program such that PIT and ECET receipts continue to be deposited to the RBTF until amounts on deposit in the RBTF equal the greater of (i) 40 percent of annual PIT and ECET receipts or (ii) \$12 billion. The equal set-asides from the ECET and PIT are intended to assure that the flow of taxes dedicated to PIT Bonds will remain constant, regardless of the number of employers who choose to opt in to the ECET system. The ECET and PIT are expected to offset one another, with increased collections in the ECET offset by a similar decrease in PIT receipts. The increase in the PIT set-aside is also expected to be sufficient to offset any reduction in PIT receipts that may occur from charitable giving to the new Charitable Gifts Trust Fund proposed with the Executive Budget. The proposed set-aside for PIT and ECET may be modified depending on the final form of tax reform legislation expected to be approved with the FY 2019 Enacted Budget.
- **Unincorporated Business Tax (UBT).** In addition to the ECET and Charitable Gifts Trust Fund proposals in the Executive Budget, the Executive is studying options for the creation of a UBT intended to preserve deductibility for individuals on certain components of non-wage income. A UBT would apply a deductible business tax on pass-through businesses, or some subset of pass-through businesses, and offer a corresponding tax credit to the owners of the business on their personal income taxes. DOB expects that any reduction in PIT receipts that may result from the creation of a UBT would be offset in full by an increase in UBT receipts. All or a portion of UBT receipts may be pledged to the payment of PIT Bonds. By the end of FY 2018, the Executive may propose legislation to create a UBT.
- **Use of Extraordinary Monetary Settlements.** The Executive Budget proposes the following uses for new settlements: \$194 million for the State's share of the MTA Subway Action Plan; \$125 million in "hard-dollar" capital for health care providers; and \$383 million for operating purposes.
- **Other Resource Changes.** These include updated estimates of various miscellaneous receipts and transfers from other funds, including FEMA reimbursements expected in

FY 2019. In addition, the Executive Budget proposes a new \$120 safety inspection fee for privately operated for-hire/for-profit passenger carriers, and a modern rate structure for right-of-way fees that will require fees for the placement of fiber optic cables and wireless towers on State-owned highways.

Revenue Actions

- **Health Insurance Conversions (or comparable transactions).** The Updated Financial Plan includes \$500 million annually over four years from conversions, acquisitions, or related transactions in which not-for-profit health insurers convert to corporations organized for pecuniary profit. DOB believes that such activity is likely in the current health insurance market.
- **Impose a Healthcare Insurance Windfall Profit Fee.** The Federal tax plan gives health care companies a 40 percent cut on their taxes while also transferring health care costs to the State. The Executive Budget imposes a 14 percent surcharge on health insurer gains to recapture \$140 million of those corporate tax savings and reinvest it in vital health care services for New Yorkers.
- **Establish an Opioid Epidemic Surcharge.** New York State, like much of the country, is battling an opioid epidemic. The Executive Budget imposes a new surcharge of 2 cents per milligram of active opioid ingredient on prescription drugs, directing all proceeds to the Opioid Prevention, Treatment and Recovery Fund. This new fund will support ongoing prevention, treatment, and recovery services.
- **Discontinue the Energy Services Sales Tax Exemption.** The Executive Budget eliminates the sales tax exemption on non-residential transmission and distribution of gas or electricity when purchased from an Energy Service Company (ESCO). Enacted in the early 2000s to incentivize consumer choice, this exemption is no longer necessary now that ESCOs are established entities (New York City eliminated this tax exemption in 2009).
- **Defer Business-Related Tax-Credit Claims.** Taxpayers must defer using most business credits for tax years 2018 through 2020, where such credits exceed \$2 million. They can begin to use deferred nonrefundable credits starting in 2021, and may use 50 percent of their refundable credits in 2021, 75 percent of the remaining credit in 2022, and the balance in 2023.
- **Internet Fairness Conformity Tax.** Online providers such as Amazon and eBay supply a marketplace for third-party sellers to sell their products to consumers. Currently, such outside sellers are required to collect sales tax from New York residents if the seller is located in New York. Many marketplace providers agree to collect the tax for the third party seller in this instance. The Executive Budget requires a marketplace provider to collect the tax when it facilitates the sale to State residents, whether the seller is located within, or outside, New York.

- **Improve Cigar Tax Enforcement.** The Executive Budget changes the definition of “wholesale price” to the invoiced price for which a manufacturer or distributor sells tobacco products to a New York State registered tobacco distributor. The current definition of “wholesale price” is the result of litigation and has resulted in revenue losses as it relies on the industry to determine the tax on its own products through a pricing survey.
- **Other Actions.** The Executive Budget includes other tax credits/extensions, enforcement initiatives and tax code reforms. These include a two-year extension of the Hire a Vet Tax Credit to 2020; an increase in the vending machine sales tax exemption for food and drink purchases priced at \$1.50 or less, to \$2.00 or less; and a health tax of 10 cents per fluid milliliter on vapor products at the distributor level, equalizing the tax treatment of tobacco products and the equivalent products used in e-cigarettes.

Other Financial Plan Matters

Transportation Funding

The State collects the PMT on behalf of, and disburses the entire amount to, the MTA. The Executive Budget proposes amending the enabling statute to no longer require the PMT to be appropriated annually by the State Legislature. PMT revenue that may be pledged to MTA bondholders under any new credit structure would have reduced risk of non-appropriation. In addition, PMT receipts will be received by the MTA without delays or uncertainty related to the appropriation process. In FY 2019, this is expected to provide a one-time benefit to the MTA of \$60 million. Consistent with this proposed law change, the Updated Financial Plan will no longer include PMT receipts and related local assistance disbursements, beginning in FY 2019. PMT receipts are estimated at approximately \$1.5 billion in FY 2019.

The Executive Budget also proposes appropriating certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses are currently funded by a transfer from the General Fund to the DHBTF. The change, which will increase disbursements in State Operating Funds by nearly \$390 million in FY 2019, applies to operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities. The increased operating spending in the General fund is expected to be offset by an identical reduction in the transfer to the DHBTF.

Managing Risks

The Executive Budget includes several measures to respond to potential risks, including the following:

- Legislation is proposed that would allow for across-the-board reductions to certain local assistance disbursements if the annual estimate for tax receipts in FY 2019 is revised downward by \$500 million or more during the fiscal year. The legislation provides for a uniform reduction of up to 3 percent to local assistance appropriations and related cash disbursements in the General Fund and State Special Revenue Funds. Programs that are exempt from the across-the-board reductions include School Aid, Medicaid, and public assistance.
- Legislation proposed with the Executive Budget would continue authorization for a process by which the State would manage potential significant reductions in Federal aid during FY 2019. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that Federal policymakers (i) reduce Federal financial participation in Medicaid funding to New York State or its subdivisions by \$850 million or more; or (ii) reduce Federal financial participation or other Federal aid funding to New York State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both the Senate and the Assembly, or the plan submitted by the Budget Director takes effect automatically.
- The FY 2019 Executive Budget also creates a new HCRA fund account to ensure the continued availability and expansion of funding for quality health services to New York State residents and to mitigate risks associated with the loss of Federal health care funds. This account is expected to initially consist of any available funds from insurer conversions.

Annual Spending Growth

DOB estimates that spending in State Operating Funds will grow at 1.9 percent from FY 2018 to FY 2019, consistent with the 2 percent spending growth benchmark. The table below illustrates major sources of annual change in State spending by major program, purpose and fund perspective.

STATE SPENDING MEASURES (millions of dollars)				
	FY 2018 Current	FY 2019 Proposed	Annual Change	
			\$	%
LOCAL ASSISTANCE	65,794	66,413	619	0.9%
School Aid (School Year Basis)	25,587	26,356	769	3.0%
DOH Medicaid ¹	19,107	20,340	1,233	6.5%
Transportation	5,026	3,962	(1,064)	-21.2%
STAR ²	2,585	2,410	(175)	-6.8%
Social Services	2,901	2,884	(17)	-0.6%
Higher Education	2,826	3,054	228	8.1%
Mental Hygiene	2,372	2,173	(199)	-8.4%
All Other ³	5,390	5,234	(156)	-2.9%
STATE OPERATIONS/FRINGE BENEFITS/GENERAL STATE CHARGES	26,711	27,928	1,217	4.6%
State Operations	18,735	19,379	644	3.4%
Personal Service:	13,026	13,429	403	3.1%
Executive Agencies	7,161	7,273	112	1.6%
DOT/DMV Operations Reclassification	0	167	167	0.0%
University Systems	3,863	3,910	47	1.2%
Elected Officials	2,002	2,079	77	3.8%
Non-Personal Service:	5,709	5,950	241	4.2%
Executive Agencies	2,820	2,788	(32)	-1.1%
DOT/DMV Operations Reclassification	0	115	115	0.0%
University Systems	2,275	2,444	169	7.4%
Elected Officials	614	603	(11)	-1.8%
General State Charges	7,976	8,549	573	7.2%
Pension Contribution	2,461	2,469	8	0.3%
Health Insurance	3,968	4,283	315	7.9%
Other Fringe Benefits/Fixed Costs	1,547	1,797	250	16.2%
DEBT SERVICE	5,621	5,636	15	0.3%
CAPITAL PROJECTS	0	0	0	0.0%
TOTAL STATE OPERATING FUNDS	98,126	99,977	1,851	1.9%
Capital Projects (State and Federal Funds)	12,675	14,490	1,815	14.3%
Federal Operating Aid	53,636	53,718	82	0.2%
TOTAL ALL GOVERNMENTAL FUNDS	164,437	168,185	3,748	2.3%
<p>¹ Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The EP is not a Medicaid program, but State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding excludes Master Settlement Agreement (MSA) payments to the State that will be deposited directly to the Medicaid Management Information System (MMIS) Escrow Fund to defray the cost of the State's takeover of Medicaid costs for counties and New York City.</p> <p>² The FY 2018 Enacted Budget converts the New York City Personal Income Tax (PIT) rate reduction benefit to a nonrefundable State PIT credit. This change has no impact on the School Tax Relief (STAR) benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2019 through 2022" herein.</p> <p>³ "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State fiscal year basis, School Aid is estimated to total \$26.3 billion in FY 2019, an increase of \$581 million from FY 2018. It also includes the portion of the State's takeover of Medicaid costs for counties and New York City that will be funded from MSA payments deposited directly to the MMIS Escrow Fund (\$103 million in FY 2018 and \$329 million in FY 2019). Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety.</p>				

State Operating Funds -- Summary of Annual Spending Change

Local Assistance

- Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In SY 2019, School Aid is expected to total \$26.4 billion, an increase of \$769 million (3 percent), including a \$338 million increase in Foundation Aid. Medicaid spending subject to the Global Cap will grow at the indexed rate of 3.2 percent to \$18.9 billion. In total, Medicaid funded from State resources will increase to \$19.5 billion, including the Essential Plan (EP),¹¹ the takeover of local Medicaid costs, and other spending outside the Global Cap.
- In FY 2018, the bonds secured by annual payments under the Master Settlement Agreement (MSA) with tobacco manufacturers were retired, with no remaining debt service requirements to be paid on these bonds. Thus, DOB expects payments under the MSA of approximately \$103 million in FY 2018 and approximately \$329 million in FY 2019, with additional payments under the MSA to be available in the years beyond FY 2019. The FY 2018 Enacted Budget authorized and directed these payments be used to help defray costs of the State's takeover of Medicaid costs for counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, is expected to cost the State \$917 million in FY 2019 and \$1.1 billion in FY 2020. Consistent with State law, DOB expects MSA payments will be directly deposited to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall Medicaid spending funded with State resources, but does decrease reported State-supported Medicaid spending accounted for in State Operating Funds.
- In transportation, the Executive Budget proposes amending the statute to no longer require the PMT to be appropriated annually by the State Legislature. Consistent with this proposed law change, the Executive Budget Financial Plan does not reflect PMT receipts and related local assistance disbursements, beginning in FY 2019. PMT receipts and disbursements are estimated at approximately \$1.5 billion and \$1.4 billion, respectively, in FY 2019. The Executive Budget also proposes appropriating certain transportation operating costs from the General Fund instead of the DHBTF. These operating expenses are currently funded by a transfer from the General Fund to the DHBTF. This change will increase disbursements in State Operating Funds by nearly \$390 million in FY 2019.
- Local assistance spending reported in the Updated Financial Plan is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARC could be received by the State as a miscellaneous receipt, or directed by the State

¹¹ The EP is an insurance program authorized under the Affordable Care Act (ACA) for individuals who are not eligible for Medicaid and who meet certain income threshold standards. Approximately 90 percent of program expenses are subsidized with Federal funds. The EP is not a Medicaid program; however, the State Funds support is managed within total Department of Health (DOH) Medicaid Global Cap resources.

to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature provided that money recouped from the STARC refunding can be treated as an offset to State spending by adding specific language to the STARC appropriation. The Executive Budget Financial Plan reflects the offset to spending in the calculation of State Operating Funds spending in both FY 2018 and FY 2019. In FY 2017, the State accounted for the money as a miscellaneous receipt.

- STAR spending is affected by the conversion of STAR benefits to State PIT credits, in addition to program reestimates. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers, but does decrease reported disbursements for STAR on a State Operating Funds basis of reporting and decreases the level of reported PIT receipts by an identical amount.
- Higher Education spending growth is mainly due to the second phase of the Excelsior Free Tuition Program, State support for the DREAM Act, increased funding for other scholarships, fringe benefit cost increases, and the timing of certain payments.

State Operations/Fringe Benefits

- Spending for Executive agency operations is expected to increase slightly in FY 2019, excluding the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the DHBTF to the General Fund.
- Operations spending for the university systems and elected officials is expected to increase by 3.5 percent and 2.5 percent, respectively.
- Spending growth for fringe benefits is mainly due to rising employee health care and prescription drug costs.

Debt Service

- Spending from Debt Service Funds is expected to increase by 0.3 percent from 2018, which includes the impact of the payment of certain FY 2019 debt service costs in FY 2018.

Cash Flow

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

DOB expects that the State will have sufficient liquidity in FY 2019 to make all planned payments as they become due, without having to temporarily borrow from STIP. The State continues to reserve money on a quarterly basis for debt service payments financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including both PIT and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

ALL FUNDS MONTH-END CASH BALANCES			
FY 2019			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	7,386	3,418	10,804
May	2,471	3,618	6,089
June	2,799	4,187	6,986
July	3,979	3,862	7,841
August	3,118	3,738	6,856
September	5,340	2,213	7,553
October	5,686	1,504	7,190
November	3,382	2,024	5,406
December	6,019	2,376	8,395
January	10,486	4,257	14,743
February	9,702	3,827	13,529
March	5,120	2,379	7,499

Extraordinary Monetary Settlements

From the beginning of FY 2015 through FY 2018, DOB estimates that the State will have received a total of \$10.7 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. The following table lists the Extraordinary Monetary Settlements by firm and amount.

SUMMARY OF RECEIPTS OF EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)					
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Total</u>
Extraordinary Monetary Settlements	4,942	3,605	1,317	838	10,702
BNP Paribas	<u>2,243</u>	<u>1,348</u>	<u>0</u>	<u>350</u>	<u>3,941</u>
Department of Financial Services (DFS)	2,243	0	0	350	2,593
Asset Forfeiture (DANY)	0	1,348	0	0	1,348
Deutsche Bank	0	800	444	0	1,244
Credit Suisse AG	715	30	0	135	880
Commerzbank	610	82	0	0	692
Barclays	0	670	0	0	670
Credit Agricole	0	459	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	315
Bank of America	300	0	0	0	300
Standard Chartered Bank	300	0	0	0	300
Goldman Sachs	0	50	190	0	240
Morgan Stanley	0	150	0	0	150
Bank Leumi	130	0	0	0	130
Ocwen Financial	100	0	0	0	100
Citigroup (State Share)	92	0	0	0	92
MetLife Parties	50	0	0	0	50
American International Group, Inc.	35	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	20
Promontory	0	15	0	0	15
New Day	0	1	0	0	1
Volkswagen	0	0	32	33	65
Mega Bank	0	0	180	0	180
Agricultural Bank of China	0	0	215	0	215
PHH Mortgage	0	0	28	0	28
Intesa SanPaolo	0	0	235	0	235
Habib Bank	0	0	0	225	225
Cigna	0	0	0	2	2
Western Union	0	0	0	60	60
Other Settlements	7	0	(7)	33	33

Since the FY 2018 Enacted Budget Financial Plan was issued, the State has received five settlement payments. Pursuant to a May 24, 2017 consent order between the DFS and BNP Paribas, BNP Paribas made a \$350 million civil monetary penalty payment. The order pertains to BNP Paribas engaging in improper, unsafe and unsound conduct, in violation of State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers.

Habib Bank paid a \$225 million civil monetary penalty pursuant to a September 7, 2017 consent order between Habib Bank and DFS. This consent order pertains to Habib Bank's failure to comply with laws and regulations designed to combat money laundering, terrorist financing, and other illicit financial transactions.

Pursuant to a November 13, 2017 consent order between the DFS and Credit Suisse, a \$135 million civil monetary penalty payment was received. The order pertains to Credit Suisse’s failure to comply with laws and regulations designed to combat improper, unsafe, and unsound conduct in the foreign exchange trading business.

Cigna paid a \$2 million civil monetary penalty pursuant to a November 14, 2017 consent order between Cigna and DFS. This consent order pertains to Cigna’s violation of laws and regulations by selling stop-loss and fully-insured health insurance policies out-of-state to New York-based small groups with employees in the State.

In addition, the State received a \$60 million civil monetary penalty pursuant to a January 4, 2018 consent order between Western Union and the DFS.

Uses of Extraordinary Monetary Settlements

A total of \$10 billion in Extraordinary Monetary Settlements has been allocated in prior budgets and plans. The Executive Budget Financial Plan includes a plan to allocate the remaining \$702 million.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)									
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Opening Settlement Balance in General Fund	0	4,667	6,300	5,335	4,749	2,646	1,556	731	112
Receipt of Extraordinary Monetary Settlement Payment	4,942	3,605	1,317	838	0	0	0	0	0
Use/Transfer of Funds	275	1,972	2,282	1,424	2,103	1,090	825	619	112
Capital Purposes:									
Transfer to DIIF	0	857	697	1,243	1,605	1,200	1,075	544	90
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	0
Transfer to Capital Projects Fund - Mass Transit	0	0	0	85	0	0	0	0	0
Transfer to Capital Projects Fund - Healthcare	0	0	0	7	71	70	80	75	22
Transfer to DIIF for Javits Center Expansion	0	0	0	160	350	320	170	0	0
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	0
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0
Other Purposes:									
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	0
CSX Litigation Payment	0	0	0	76	0	0	0	0	0
Financial Plan - General Fund Operating Purposes	275	250	102	461	383	0	0	0	0
Transfer to Local Assistance Account - Mass Transit Operating	0	0	0	10	0	0	0	0	0
MTA Operating Aid	0	0	0	0	194	0	0	0	0
Department of Law - Litigation Services Operations	0	10	63	27	0	0	0	0	0
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	0
Reservation of Funds:									
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	0
Closing Settlement Balance in General Fund	4,667	6,300	5,335	4,749	2,646	1,556	731	112	0

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

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

- **General Fund Operations (\$383 million).** Consistent with prior years, the Updated Financial Plan reflects the use of funds not appropriated for other purposes.
- **MTA Subsidy (\$194 million).** Additional support will be provided to the MTA for operations in FY 2019.
- **Health Care Capital Grants (\$125 million).** An additional \$425 million will be provided to the Health Care Facility Transformation Program, of which \$125 million will be funded from Extraordinary Monetary Settlements.

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**April – December 2017
Operating Results**

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April – December 2017 Operating Results

This section provides a summary of operating results for April 2017 through December 2017 compared to (1) the results for the same time period in the prior fiscal year, FY 2017 (April 2016 through December 2016); (2) the projections set forth in the Enacted Budget Financial Plan (“initial estimates”) and (3) the FY 2018 Mid-Year Update to the Financial Plan (“revised estimates”), as reflected in the second quarterly update to the AIS filed with EMMA on December 5, 2017. The focus of the discussion on spending is on a State Operating Funds basis.

Results Compared to Prior Year - All Governmental Funds

Comparing 2017 to 2016, for the period of April through December, All Funds receipts increased by \$6.9 billion, comprised of growth of approximately \$3 billion in Federal aid, \$2.3 billion in miscellaneous receipts, and \$1.6 billion in tax receipts. Disbursements during the same period of time compared to the prior year increased by \$5.2 billion, mainly due to the increase in disbursement of Federal operating aid by \$3.9 billion. The All Funds closing balance at the end of December 2017 was \$878 million higher than the December 2016 closing balance, as receipts outpaced spending.

ALL GOVERNMENTAL FUNDS - RESULTS COMPARED TO PRIOR YEAR				
APRIL THOROUGH DECEMBER				
(millions of dollars)				
	Results		Increase/(Decrease)	
	FY 2017	FY 2018	\$	%
OPENING BALANCE	11,810	11,105	(705)	-6.0%
ALL FUNDS RECEIPTS:	111,187	118,069	6,882	6.2%
Total Taxes	53,233	54,869	1,636	3.1%
Personal Income Tax	32,878	34,032	1,154	3.5%
All Other Taxes	20,355	20,837	482	2.4%
Miscellaneous Receipts	18,278	20,549	2,271	12.4%
Federal Grants	39,676	42,651	2,975	7.5%
ALL FUNDS DISBURSEMENTS:	109,990	115,226	5,236	4.8%
STATE OPERATING FUNDS	66,948	67,660	712	1.1%
Local Assistance	44,688	44,698	10	0.0%
School Aid	14,868	15,625	757	5.1%
DOH Medicaid ¹	15,207	15,596	389	2.6%
All Other	14,613	13,477	(1,136)	-7.8%
State Operations	20,323	20,769	446	2.2%
Agency Operations	13,997	14,152	155	1.1%
Executive Agencies	7,471	7,513	42	0.6%
University Systems	4,595	4,638	43	0.9%
Elected Officials	1,931	2,001	70	3.6%
Fringe Benefits/Fixed Costs	6,326	6,617	291	4.6%
Pension Contribution	2,292	2,376	84	3.7%
Health Insurance	2,733	2,917	184	6.7%
Other Fringe Benefits/Fixed Costs	1,301	1,324	23	1.8%
Debt Service	1,934	2,193	259	13.4%
Capital Projects	3	0	(3)	-100.0%
CAPITAL PROJECTS (State and Federal Funds)	7,196	7,787	591	8.2%
FEDERAL OPERATING AID	35,846	39,779	3,933	11.0%
NET OTHER FINANCING SOURCES	(32)	(95)	(63)	-196.9%
CHANGE IN OPERATIONS	1,165	2,748	1,583	135.9%
CLOSING BALANCE	12,975	13,853	878	6.8%

¹ Includes the Essential Plan

Receipts

For April through December 2017, All Funds tax receipts were \$1.6 billion (3.1 percent) higher than for the same period in 2016. PIT, the largest contributor to the growth, was \$1.2 billion (3.5 percent) higher due to a \$1.5 billion increase in withholding and a \$1.3 billion increase in tax year 2017 estimated payments, partially offset by a \$1.1 billion increase in tax year 2016 refunds and a \$605 million decline in extension payments. The increase in estimated payments of \$1.4 billion appears to be a response to the recently passed Federal Tax Law Bill. Refunds increased due to a change in the administrative refund cap that pushed refunds from the first quarter of calendar year 2017 into April 2017.

All other taxes were \$482 million (2.4 percent) higher, mainly due to sales tax collections reflective of higher audit receipts. In addition, estate tax collections were higher due to one large payment exceeding \$130 million in the April to December 2017 period.

Miscellaneous receipts were \$2.3 billion (12.4 percent) higher in the current year, mainly due to the timing of bond proceeds reimbursements, including a December 2017 bond sale (\$1.7 billion).

Federal grants were \$3 billion (7.5 percent) higher, consistent with growth in Federal operating aid disbursements.

Spending

From April through December 2017, State Operating Funds spending totaled \$67.7 billion, an increase of \$712 million (1.1 percent) compared to the same period last year. As described below, the Enacted Budget Financial Plan anticipated substantial increases in spending through December 2017 compared to the same period in FY 2016, but actual results were lower than expected due mainly to the timing of certain payments.

Growth in Medicaid (\$389 million) and School Aid (\$757 million), was nearly offset by lower spending in other local assistance programs (\$1.1 billion). Medicaid spending growth was driven by increased claims for monthly managed care and long term care programs, and by increased State remittance of Federal Medicare payments. School Aid spending was higher due to increased funding provided to school districts based on aid formulas.

All other local assistance spending declined compared to the same period last year, mainly due to the conversion of the New York City STAR benefit to a tax credit, as well as slower than expected payments for social services and timing associated with the quarterly transfer of OPWDD-related Medicaid costs from DOH to OPWDD.

Executive agency operational spending increased by \$42 million (0.6 percent) compared to the prior year. University Systems spending increased for SUNY hospital operations. Spending growth for elected officials included retroactive salary payments to Judiciary employees made pursuant to collective bargaining contracts settled in FY 2018 and higher than projected non-personal service spending.

Higher fringe benefits spending included planned cost increases for pensions and the State's share of employee health insurance. The increase in debt service spending year over year through December reflects the impact of prepayments, which resulted in lower debt service payments during April through December 2017.

Outside of State Operating Funds, Capital Projects spending increased by \$590 million, primarily due to expenses for the Moynihan Station construction project (\$275 million), continued implementation of the Housing Capital Plan (\$149 million), and mental hygiene projects (\$141 million).

Federal operating aid grew by \$3.9 billion, with higher spending for Medicaid (\$3.2 billion), the Essential Plan (\$663 million), Education (\$465 million), and Public Health/CHP (\$363 million). This was partially offset by a timing-related decrease in spending for social services, including public assistance benefits for Temporary Assistance for Needy Families (TANF)-funded child care and local district administrative costs (\$587 million), and Division of Homeland Security and Emergency Services (DHSES) (\$131 million).

Results Compared to Plan – All Governmental Funds

The State ended December 2017 with a closing balance of \$13.9 billion in All Funds, \$4.2 billion higher than the initial Enacted Budget Financial Plan estimate and \$2.7 billion higher than the revised estimate included with the Mid-Year Update to the Financial Plan. Receipts were about \$2 billion higher compared to both the initial and revised estimates. Spending was \$2.3 billion lower than both the initial estimate and \$711 million lower than the revised estimate. The explanation of variances that follows the table below is focused on the comparison to the Enacted Budget Financial Plan estimates.

ALL GOVERNMENTAL FUNDS RESULTS COMPARED TO PLAN							
APRIL THROUGH DECEMBER 2017							
(millions of dollars)							
	Enacted Plan	Revised Plan	Results	Above/(Below)			
				Enacted Plan		Revised Plan	
				\$	%	\$	%
OPENING BALANCE	11,105	11,105	11,105	0	0.0%	0	0.0%
ALL FUNDS RECEIPTS:	116,135	116,119	118,069	1,934	1.7%	1,950	1.7%
Total Taxes	54,702	54,229	54,869	167	0.3%	640	1.2%
Personal Income Tax	33,895	33,119	34,032	137	0.4%	913	2.8%
Consumption / Use Tax	12,839	12,634	12,701	(138)	-1.1%	67	0.5%
Business Taxes	5,272	5,660	5,330	58	1.1%	(330)	-5.8%
Other Taxes	2,696	2,816	2,806	110	4.1%	(10)	-0.4%
Miscellaneous Receipts	19,402	20,085	20,549	1,147	5.9%	464	2.3%
Federal Grants	42,031	41,805	42,651	620	1.5%	846	2.0%
ALL FUNDS DISBURSEMENTS:	117,560	115,937	115,226	(2,334)	-2.0%	(711)	-0.6%
STATE OPERATING FUNDS	68,576	68,104	67,660	(916)	-1.3%	(444)	-0.7%
Local Assistance	45,876	45,209	44,698	(1,178)	-2.6%	(511)	-1.1%
School Aid	15,976	15,717	15,625	(351)	-2.2%	(92)	-0.6%
DOH Medicaid ⁴	15,018	15,223	15,596	578	3.8%	373	2.5%
Transportation	4,323	4,329	4,273	(50)	-1.2%	(56)	-1.3%
STAR	331	186	161	(170)	-51.4%	(25)	-13.4%
Social Services	2,255	1,980	1,669	(586)	-26.0%	(311)	-15.7%
Higher Education	1,922	1,890	1,858	(64)	-3.3%	(32)	-1.7%
Mental Hygiene	1,847	1,791	1,623	(224)	-12.1%	(168)	-9.4%
All Other	4,204	4,093	3,893	(311)	-7.4%	(200)	-4.9%
State Operations	20,446	20,701	20,769	323	1.6%	68	0.3%
Agency Operations	13,945	14,220	14,152	207	1.5%	(68)	-0.5%
Personal Service:	9,783	9,996	10,052	269	2.7%	56	0.6%
Executive Agencies	5,344	5,456	5,530	186	3.5%	74	1.4%
University Systems	2,898	2,953	2,931	33	1.1%	(22)	-0.7%
Elected Officials	1,541	1,587	1,591	50	3.2%	4	0.3%
Non-Personal Service:	4,162	4,224	4,100	(62)	-1.5%	(124)	-2.9%
Executive Agencies	2,037	2,029	1,983	(54)	-2.7%	(46)	-2.3%
University Systems	1,683	1,754	1,707	24	1.4%	(47)	-2.7%
Elected Officials	442	441	410	(32)	-7.2%	(31)	-7.0%
Fringe Benefits/Fixed Costs	6,501	6,481	6,617	116	1.8%	136	2.1%
Pension Contribution	2,371	2,379	2,376	5	0.2%	(3)	-0.1%
Health Insurance	2,946	2,918	2,917	(29)	-1.0%	(1)	0.0%
Other Fringe Benefits/Fixed Costs	1,184	1,184	1,324	140	11.8%	140	11.8%
Debt Service	2,254	2,194	2,193	(61)	-2.7%	(1)	0.0%
CAPITAL PROJECTS (State and Federal Funds)	9,866	8,457	7,787	(2,079)	-21.1%	(670)	-7.9%
FEDERAL OPERATING AID	39,118	39,376	39,779	661	1.7%	403	1.0%
NET OTHER FINANCING SOURCES	(56)	(102)	(95)	(39)	-69.6%	7	6.9%
CHANGE IN OPERATIONS	(1,481)	80	2,748	4,229	285.6%	2,668	3335.0%
CLOSING BALANCE	9,624	11,185	13,853	4,229	43.9%	2,668	23.9%

⁴ Includes the Essential Plan

Receipts

Through December 2017, total tax receipts were \$167 million above the initial estimate reflected in the Enacted Budget Financial Plan. Higher PIT collections (\$137 million) were affected by a surge in December 2017 estimated payments that appears to be in response to the Federal tax law changes effective January 1, 2018 that imposed a \$10,000 cap on SALT deductions. These increased collections were partially offset by weaker than projected withholding collections in the third quarter of FY 2018.

Sales tax collections were lower than estimated due to weaker consumer spending growth. Business tax collections exceeded estimates mainly in insurance and bank taxes, partly offset by the timing of corporate franchise tax refunds. Estate tax collections exceeded initial estimates due to the receipt of two large estate tax payments.

Miscellaneous receipts were \$1.1 billion higher than estimated, and include the receipt of Extraordinary Monetary Settlement payments from BNPP (\$350 million), Habib Bank (\$225 million), and Credit Suisse (\$135 million), as well as higher than estimated SUNY receipts (\$121 million).

Compared to the revised estimates, total tax receipts were \$640 million higher than planned, which mainly reflects higher PIT collections including the surge in estimated payments discussed above.

Variances in Federal grants are largely driven by Federal spending, as described below, as well as the timing of reimbursement for program costs initially financed by the State.

Spending

Compared to the Enacted Budget Financial Plan projections, State Operating Funds disbursements were \$916 million (1.3 percent) lower than planned.

Local assistance spending was \$1.2 billion lower than planned. The most notable variances include:

- Social Services (\$586 million lower): driven by the timing of payments for several OCFS programs including child care (\$137 million), Child Welfare Services (\$123 million), youth programs (\$56 million), Foster Care Block Grant (\$42 million); and public assistance benefit payments (\$167 million).
- School Aid (\$351 million lower): attributable largely to slower than expected payments for General Aid (\$119 million) and Excess Cost Aid (\$120 million) and lower than anticipated Teachers' Retirement System bills paid on behalf of school districts (\$111 million).
- Mental Hygiene (\$224 million lower); reflects timing associated with the transfers of OPWDD-related Medicaid costs from DOH to OPWDD that were expected to be made in December 2017, but are now expected to occur in January 2018; as well as delayed disbursements of other mental hygiene payments that are still expected to be paid this fiscal year.

- STAR (\$170 million lower): mainly due to the timing of the conversion of the NYC PIT rate reduction benefit.
- DOH Medicaid (\$578 million higher): largely attributable to increased claims (\$906 million) and the delayed deposit of MSA Tobacco Settlement receipts to partly offset the payment of local government Medicaid growth (\$103 million). The higher spending is partly offset by lower Essential Plan spending due to the Federal government funding a greater share of the program, resulting in a decreased State contribution.
- All other (\$311 million lower): primarily reflects the timing of education payments for several claims-based programs, including special education and non-public school aid.

State Operations spending was \$323 million higher than estimated. Personal service spending for DOCCS, State Police, and OPWDD was higher than planned, reflecting increased costs associated with retroactive salary payments. In addition, higher Judiciary spending includes retroactive salary payments made pursuant to settled contracts (\$29 million). Non-personal service spending was lower than planned with the most significant variances occurring in DOCCS, Gaming, Tax and Finance and the Office of General Services (OGS).

Higher fringe benefits and fixed costs (\$116 million) reflect the timing of reimbursements of fringe benefit costs by agencies operating outside of the General Fund, as well as workers' compensation payments.

Debt service spending was \$61 million lower than planned due to savings generated from the refunding of certain State-supported debt.

Lower capital spending of \$2.1 billion includes slower than expected spending for DOT projects (\$629 million), timing of disbursements to the MTA (\$511 million), environmental conservation (\$259 million), ESDC (\$238 million), and School Aid (\$145 million).

Higher Federal aid spending of \$661 million is mainly due to the timing of approval of certain Medicaid rate packages and claims (\$660 million), higher than expected claims and enrollment in the CHP program (\$352 million), and DHSES storm relief (\$195 million). This higher spending is partly offset by lower spending for School Aid (\$328 million) attributable to the timing of school district claims for various Federal education programs; and lower spending for social services spending, including public assistance benefit payments (\$152 million) and TANF-funded child care payments (\$185 million).

Results Compared to Plan - General Fund

The General Fund closing balance at the end of December 2017 was \$2.6 billion higher than the initial estimate, driven by lower spending (\$1.4 billion) and higher receipts (\$1.2 billion). Higher receipts include the unplanned receipts of Extraordinary Monetary Settlements.

GENERAL FUND OPERATING RESULTS COMPARED TO PLAN							
APRIL THROUGH DECEMBER 2017							
(millions of dollars)							
	Enacted Plan	Revised Plan	Results	Above/(Below) Variance			
				Enacted Plan		Revised Plan	
				\$	%	\$	%
OPENING BALANCE	7,749	7,749	7,749	0	0.0%	0	0.0%
Total Receipts	50,140	50,502	51,384	1,244	2.5%	882	1.7%
Taxes:	48,449	48,122	48,778	329	0.7%	656	1.4%
Personal Income Tax ¹	32,920	32,318	33,250	330	1.0%	932	2.9%
Consumption / Use Taxes ¹	10,250	10,084	10,162	(88)	-0.9%	78	0.8%
Business Taxes	3,695	4,009	3,653	(42)	-1.1%	(356)	-8.9%
Other Taxes ¹	1,584	1,711	1,713	129	8.1%	2	0.1%
Receipts and Grants	1,530	2,219	2,342	812	53.1%	123	5.5%
Transfers From Other Funds	161	161	264	103	64.0%	103	64.0%
Total Spending	50,376	49,552	48,988	(1,388)	-2.8%	(564)	-1.1%
Local Assistance	32,201	31,563	31,111	(1,090)	-3.4%	(452)	-1.4%
Agency Operations (including GSCs)	10,818	10,996	11,131	313	2.9%	135	1.2%
Transfers to Other Funds	7,357	6,993	6,746	(611)	-8.3%	(247)	-3.5%
Debt Service Transfer	711	708	709	(2)	-0.3%	1	0.1%
Capital Projects Transfer	1,247	966	654	(593)	-47.6%	(312)	-32.3%
State Share of Mental Hygiene Medicaid Transfer	1,045	951	963	(82)	-7.8%	12	1.3%
SUNY Operations Transfer	1,016	1,022	1,015	(1)	-0.1%	(7)	-0.7%
All Other Transfers	3,338	3,346	3,405	67	2.0%	59	1.8%
Change in Operations	(236)	950	2,396	2,632	1115.2%	1,446	152.2%
CLOSING BALANCE	7,513	8,699	10,145	2,632	35.0%	1,446	16.6%

¹ Includes transfers from other funds after debt service.

General Fund tax collections were \$329 million above the Enacted Budget Financial Plan estimate, mainly driven by PIT receipts. Higher miscellaneous receipts include \$798 million in Extraordinary Monetary Settlements and higher Sales Tax Asset Receivable Corporation (STARC) receipts that are expected to offset spending.

Through December 2017, General Fund disbursements, including transfers to other funds, were \$1.4 billion and \$564 million below the Enacted Budget Financial Plan and Mid-Year Update to the Financial Plan projections, respectively. The causes of lower local assistance and higher agency operations spending are consistent with the State Operating Funds variances summarized above.

Certain General Fund transfers did not occur as planned and are now expected in future months, including transfers to support capital spending which are expected to be subsequently reimbursed with bond proceeds.

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Other Matters Affecting the Financial Plan

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Other Matters Affecting the 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. For instance, actual receipts collections have fallen substantially below the levels forecasted in certain fiscal years. In addition, projections in future years are based on the assumption that annual growth in State Operating Funds spending will be limited to 2 percent, and that all savings that result from the 2 percent spending growth benchmark will be made available to the General Fund.

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

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

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

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

Budget Risks and Uncertainties

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

The Updated Financial Plan projections for the outyears generally assume that School Aid and Medicaid disbursements will be limited to the annual growth in New York State personal income, and the ten-year average growth of the medical component of the Consumer Price Index (CPI), respectively. However, since FY 2014, the State has annually authorized School Aid spending to increase above the personal income growth index. In SY 2019, the Executive Budget Financial Plan reflects a projected 3.0 percent School Aid increase, compared to the 1.5 percent growth in the personal income growth index. In SY 2020, School Aid is projected to increase by 3.6 percent, based on currently projected personal income growth.

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

The Updated Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain revenue sharing payments under the Tribal-State compact, including payments from the Seneca Nation¹²; receipt of miscellaneous revenues at the levels expected in the Updated Financial Plan, and achievement of cost-saving measures including, but not limited to, transfer of available fund

¹² The Seneca Nation has withheld payments to the State that were expected in June, September and December 2017. The State and Seneca Nation are currently in the arbitration process. The Updated Financial Plan assumes successful resolution by March 2018.

balances to the General Fund at levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Updated Financial Plan in current and/or future years.

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

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

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid may be subject to change under the Trump Administration and the current Congress. Current Federal aid projections, and the assumptions on which they rely, are subject to revision in future financial updates as a result of changes in Federal policy.

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation proposed with the FY 2019 Executive Budget continues authorization for a process by which the State would manage significant reductions in Federal aid during FY 2019 and FY 2020 should they arise. Specifically, the legislation allows the Budget Director to prepare a plan for consideration by the Legislature in the event that the Federal government (i) reduces Federal financial participation in Medicaid funding to New York State or its subdivisions by \$850 million or more; or (ii) reduces Federal financial participation or other Federal aid funding to New York State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the Budget Director must equally and proportionally reduce appropriations and cash disbursements in the General Fund and State Special Revenue Funds. Upon receipt of the plan, the Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the Budget Director takes effect automatically.

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

Responding to the New Federal Tax Law

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

The State's income tax system interacts with the Federal system in numerous ways. The Federal changes will have significant flow-through effects on state tax burdens and revenues. Given the far-reaching nature of the Federal law, the New York State Department of Taxation and Finance has undertaken extensive analysis in consideration of how best to respond and has outlined options for State tax reform in response to the Federal legislation. The Executive Budget includes proposed changes to the State tax code to address Federal changes.

In addition, the new Federal tax law eliminates the tax-exempt advance refunding of municipal bonds, thereby limiting the ability of the State and debt-issuing public authorities to realize savings in favorable market conditions. Since FY 2015, advance refunding has saved New York State approximately \$1.1 billion.

Current Federal Aid

President Trump has proposed significant cuts to mandatory and discretionary domestic programs in Federal Fiscal Years (FFYs) 2018 and 2019 which are under consideration by Congress. If the proposed cuts are adopted, it could reduce Federal aid to New York by billions of dollars.

Currently, the Federal government is operating under a continuing resolution for FFY 2018 that keeps the Federal government operating through March 23, 2018.

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

increasing the spending caps for FFYs 2018 and 2019, lessening the potential for significant spending cuts in discretionary domestic programs through FFY 2019.

Medicaid Disproportionate Share Hospital (DSH) Payments

Provisions within the Medicaid statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients. Changes made initially in the Patient Protection and Affordable Care Act to reduce the aggregate amount of Federal reimbursements for DSH payments came into effect with the start of FFY 2018, beginning October 1, 2017, but have since been delayed to FFY 2020 (beginning October 1, 2019) by Federal legislation enacted on February 9, 2018. This legislation also accelerates full implementation of the DSH cuts to begin in FFY 2021, in contrast to the previous multi-year phase-in.

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

Federal Health Care Policy

In 2017, the Federal government attempted to end the Basic Health Program (EP in New York State), the Patient Protection and Affordable Care Act's (ACA's) Medicaid expansion, and to shift a larger share of growth in Medicaid costs to states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If these bills had been enacted into law, these policies would have had a substantial adverse impact on the Financial Plan. Additionally, President Trump has taken unilateral Executive action to withhold Cost Sharing Reduction (CSR) payments, threatening low-cost health insurance coverage for income-eligible recipients when purchasing Qualified Health Plan or Essential Plan coverage through the New York State of Health, New York's official health plan marketplace. The Executive Budget Financial Plan assumes the continuation of these programs, but also establishes a statutory reserve to address the potential loss of Federal funding and authorizes program modifications, if necessary, to preserve vital services in the event of Federal reductions. While Federal funding for CHIP has been reauthorized through FFY 2027, it remains possible that other Federal changes could affect the State's health care policies. DOB continues to monitor Federal health care policy.

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

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

Regulations from the Internal Revenue Service have yet to be published and, at this point, it is unclear if or how the tax will be changed as a result of ongoing health care and tax reform discussions. DOB has no current estimate as to the potential impact to the Updated Financial Plan from this Federal excise tax.

Medicaid Redesign Team (MRT) Medicaid Waiver

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

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

Federal Debt Limit

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

A payment default by the United States may adversely affect the municipal bond market. Municipal issuers, 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 and Agreements (Current Contract Period)

The State has multi-year labor agreements in place with several unions, while negotiations are underway with other unions. The Civil Service Employees Association (CSEA) and DC-37 (Rent Regulation Unit) employees have a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021 and additional compensation changes, offset by benefit design changes within NYSHIP and reductions in overtime costs.

Employees represented by PEF and the Graduate Student Employees Union (GSEU), as well as M/C employees, have a three-year collective bargaining agreement providing 2 percent annual salary increases in FYs 2017 through 2019.

Members of the Police Benevolent Association of the New York State Troopers (NYSTPBA) and the New York State Police Investigators Association (NYSPIA) have a multi-year collective bargaining agreement that provides a 2 percent general salary increase for each of FY 2015 and FY 2016, and a 1.5 percent general salary increase for each of FY 2017 and FY 2018. Negotiations on the next contract with NYSTPBA commenced in January and are anticipated with NYSPIA later in 2018.

The State is in negotiations with all other employee unions whose contracts concluded in FY 2016, including United University Professions (UUP), Council 82 and the New York State Correctional Officers and Police Benevolent Association (NYSCOPBA) following the March 2017 membership rejection of a tentative agreement on a five-year labor contract through FY 2021¹³. Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

The Judiciary has reached agreement with all 12 unions represented within its workforce. The contract periods vary from FY 2018 to FY 2020 for CSEA, FY 2012 to FY 2019 for Court Officers Benevolent Association of Nassau County (COBANC), FY 2012 to FY 2021 for the NYS Supreme Court Officers Association, the NYS Court Officers Association and the Court Clerks Association, and FY 2017 to FY 2019 for seven other unions. The Updated Financial Plan reflects no changes to the Judiciary cash estimates in the current year.

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

¹³ The five-year agreement with NYSCOPBA that was not ratified would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within NYSHIP and reductions in overtime costs.

Pension Contributions¹⁴

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in ERS and PFRS. This section discusses contributions from the State, including the Judiciary, to the NYSLRS, which account for the majority of the State's pension costs.¹⁵ All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, 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 4.9 percent to 3.8 percent and for PFRS the scale was reduced from 6.0 percent to 4.5 percent.

FY 2019 Projections

The preliminary FY 2019 ERS/PFRS pension liability of \$2.3 billion is impacted by the FY 2017 investment return of 11.5 percent, which was above the Comptroller's assumed rate of return (7 percent). The estimate also reflects the impact of past investment performance and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease from 15.3 percent of payroll to 14.9, while the average contribution rate for PFRS will decrease from 24.4 percent of payroll to 23.5 percent.¹⁶

The pension liability also reflects changes to military service credit provisions found in Section 1000 of the Retirement and Social Security Law (RSSL) enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may, upon application, receive extra service credit for up to three years of military duty if such veterans (i) were honorably discharged, (ii) have achieved five years of credited service in a public retirement system, and (iii) agree to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g. FY 2017 costs will first be billed in FY 2019). Additionally, Section 25 of the RSSL requires the State to pay the ERS employer contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to

¹⁴ The information contained under this "Pension Contributions" section and the following "Pension Amortization" Section was prepared solely by DOB and reflects the budgetary aspects of pension contributions and pension amortization. The information that appears later in this AIS Update, under the section entitled "State Retirement System," was prepared solely by OSC.

¹⁵ The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both SUNY and the State Education Department (SED), the Optional Retirement Program (ORP) for both SUNY and SED, and the New York State Voluntary Defined Contribution Plan (VDC).

¹⁶ Average contribution rates include the Group Life Insurance Program (GLIP), and thus differ from the system average normal rates reported in the pension amortization section.

this amortization. The ERS cost to the State (including the costs covered for local ERS) was \$52 million in FY 2018 based on actual credit purchased through December 31, 2017. DOB currently estimates ERS costs of \$55 million in FY 2019; and \$39 million in FY 2020. Additionally, the State expects ongoing costs of \$7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

Pension estimates for FY 2020 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases and that investment returns will be below the actuarially assumed 7 percent rate of return in the near-to-mid-term.

Pension Amortization

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

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

The portion of an employer's annual pension costs that may be amortized is determined by comparing the employer's amortization-eligible contributions as a percentage of employee salaries (i.e., the normal rate¹⁷) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for ERS and PFRS according to a formula enacted in the 2010 legislation and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates. Chapter 48 of the Laws of 2017 changed the graded rate computation to provide an employer specific graded rate based on the employer's own tier and plan demographics.

¹⁷ For the purpose of this discussion, the "normal rate" refers to all amortization-eligible costs (i.e. normal and administrative costs, as well as certain employer-provided options such as sick leave credit) divided by salary base).

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

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

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS (millions of dollars)									
Fiscal Year	Statewide Pension Payments ¹				Rates for Determining (Amortization Amount) / Excess Contributions				
	Normal Costs ²	(Amortized) / Excess Contributions	Amortization Payments	Total Statewide Pension Payments	Interest Rate on Amortization Amount (%) ³	System Average Normal Rate ⁴		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.0	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.8	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.0	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.7	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.2	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.2	17.7	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.3	15.1	24.3	15.1	23.5
2018 Est.	1,803.4	0.0	432.1	2,235.5	2.8	14.9	24.3	14.9	24.3
2019 Est.	1,866.7	0.0	432.1	2,298.8	0.0	14.4	23.5	14.4	23.5
-----Projected by DOB ⁵ -----									
2020	1,921.4	0.0	432.1	2,353.5	0.0	15.2	24.0	15.2	24.0
2021	2,080.3	0.0	432.1	2,512.4	0.0	16.2	25.0	16.2	25.0
2022	2,272.5	0.0	399.8	2,672.3	0.0	17.2	26.0	17.2	26.0
2023	2,436.7	0.0	331.3	2,768.0	0.0	17.9	25.8	17.9	25.8
2024	2,460.1	0.0	240.1	2,700.2	0.0	17.7	25.4	17.7	25.4
2025	2,483.7	0.0	126.4	2,610.1	0.0	17.5	25.0	17.5	25.0
2026	2,507.2	0.0	42.2	2,549.4	0.0	17.3	24.6	17.3	24.6

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

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

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

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

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

The "Normal Costs" column shows the State's underlying pension cost in each fiscal year before the effects of amortization. The "(Amortized) / Excess Contributions" column shows amounts amortized. The "Amortization Payments" column provides the amount paid in principal and interest towards the outstanding balance on prior-year amortizations. The "Total Statewide Pension Payments" column provides the State's actual or planned pension contribution, inclusive of

amortization. The "Interest Rate on Amortization Amount (%)" column provides the interest rate at which the State will repay the amortized contribution, as determined by OSC. The remaining columns provide information on the normal rate and graded rate, which are used to determine the maximum allowed "(Amortized)" amount or the mandatory "Excess Contributions" amount for a given fiscal year.

Other Post-Employment Benefits (OPEB)

State employees become eligible for post-employment benefits (e.g., health insurance) if they reach retirement while working for the State, 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. 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 2017, the State's Annual Required Contribution (ARC) represents the annual level of funding that, if set aside on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities of the plan over a period not to exceed 30 years. Amounts required but not actually set aside to pay for these benefits are accumulated, with interest, as part of the net OPEB obligation, after adjusting for amounts previously required.

As reported in the State's Basic Financial Statements for FY 2017, the unfunded actuarial accrued liability for FY 2017 is \$87.3 billion (\$72.8 billion for the State and \$14.4 billion for SUNY), an increase of \$9.4 billion from FY 2016 (attributable entirely to the State). The unfunded actuarial accrued liability for FY 2017 used an actuarial valuation of OPEB liabilities as of April 1, 2016 for the State and April 1, 2014 for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of projected payroll amortization method. A significant portion of the annual growth in the State's unfunded actuarial accrued liability has been driven by the reduction of the discount rate from 3.155 to 2.637 percent, calculated as the average STIP rate for the past 20 years at the time of valuation. The decline in the discount rate increases the present value of the projected benefit obligation.

The actuarially determined annual OPEB cost for FY 2017 totaled \$4.2 billion (\$3.2 billion for the State and \$923 million for SUNY), a decline of \$7 million from FY 2016 (\$4 million for the State and \$3 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was \$2.4 billion (\$1.795 billion for the State and \$639 million for SUNY) greater than the PAYGO required cash payments for retiree costs made by the State in FY 2017. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net position at the end of FY 2017 by \$2.4 billion.

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

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

The FY 2018 Enacted Budget included legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit into the Trust Fund, in any given fiscal year, up to 0.5 percent of total then-current unfunded actuarial accrued OPEB liability (currently \$72.8 billion for the State and \$14.4 billion for SUNY). The Updated Financial Plan does not include any deposits to the Trust Fund.

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

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

Litigation

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

Climate Change Adaptation

Climate change poses long-term threats to physical and biological systems. Potential hazards and risks related to climate change for the State include, among other things, rising sea levels, more severe coastal flooding and erosion hazards, and more intense storms. Storms in recent years, including Superstorm Sandy, Hurricane Irene, and Tropical Storm Lee, have demonstrated

vulnerabilities in the State's infrastructure (including mass transit systems, power transmission and distribution systems, and other critical lifelines) to extreme weather events including coastal flooding caused by storm surges. Climate change risks, if they materialize, can adversely impact the Updated Financial Plan in current or future years. Significant long-term planning and investment by the Federal government, State, municipalities, and public utilities are expected to be needed to adapt existing infrastructure to climate change risks.

Participants in financial markets are acknowledging climate change risks. In June 2017, an industry-led Task Force on Climate-related Financial Disclosure convened by the Financial Stability Board (an international body which monitors the global financial system) published recommendations stating that climate risk affects most market sectors and that climate-related risk should be publicly disclosed to investors in annual financial filings.¹⁸ In November 2017, Moody's Investors Service issued guidance to state and local governments that climate change is forecast to heighten exposure to economic losses, placing potential pressure on credit ratings. The Moody's report identified rising sea levels and the effect on coastal infrastructure as the primary climate risk for the northeastern US region, including the State. These risks are heightened by population concentration in coastal counties.

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

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt

¹⁸ For further context to the June 2017 disclosure recommendations, the Financial Stability Board was asked by an international coalition of G20 Finance Ministers and Central Bank Governors to address concerns that undisclosed climate risk could destabilize global financial markets.

to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. The State's Enterprise Information Security Office within the State's ITS maintains a cyber command center hotline and related procedures for cyber incident reporting and response, distributes real-time advisories and alerts, provides managed security services, and implements statewide information security training and exercises for State and local government. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems and the costs of remedying any such damage could be substantial.

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

Financial Condition of New York State Localities

The State's localities rely in part on State aid to balance their budgets and meet their cash requirements. As such, unanticipated financial need among localities can adversely affect the State's Updated Financial Plan. Certain localities outside New York City, including cities and counties, have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. In 2013, the Financial Restructuring Board for Local Governments was created to provide assistance to distressed local governments. The Restructuring Board performs comprehensive reviews and provides grants and loans as a condition of implementing recommended efficiency initiatives. For additional details on the Restructuring Board, please visit www.frb.ny.gov.

Bond Market

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

discussion of such developments generally, may affect the market for outstanding State-supported and State-related debt. The TCJA adversely impacts the State and its public authorities by removing certain refunding opportunities for Federal tax exempt financing, including advance refundings for debt service savings when interest rates are favorable.

Debt Reform Act Limit

The Debt Reform Act of 2000 (“Debt Reform Act”) restricts the issuance of State-supported debt to fund capital purposes only, and for a maximum term 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. DOB, as administrator of the Debt Reform Act, determined that the State was in compliance with the statutory caps in the most recent calculation period (FY 2017).

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the availability under the debt outstanding cap is expected to decline from \$3.9 billion in FY 2018 to about \$61 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected availability under the debt cap is dependent on expected growth for State personal income. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State’s calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2018	1,222,079	4.00%	48,883	45,000	3,884	3.68%	0.32%	6,605	51,605
FY 2019	1,269,935	4.00%	50,797	49,105	1,693	3.87%	0.13%	5,773	54,878
FY 2020	1,326,162	4.00%	53,046	52,794	252	3.98%	0.02%	4,832	57,627
FY 2021	1,385,417	4.00%	55,417	55,355	61	4.00%	0.00%	3,325	58,680
FY 2022	1,446,303	4.00%	57,852	57,773	79	3.99%	0.01%	2,688	60,461
FY 2023	1,509,402	4.00%	60,376	60,155	221	3.99%	0.01%	2,085	62,240

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap \$	Debt Service Since April 1, 2000	\$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2018	164,556	5.00%	8,228	4,477	3,751	2.72%	2.28%	1,129	5,606
FY 2019	163,206	5.00%	8,160	4,858	3,302	2.98%	2.02%	752	5,610
FY 2020	167,620	5.00%	8,381	5,392	2,989	3.22%	1.78%	1,549	6,941
FY 2021	169,771	5.00%	8,489	5,748	2,740	3.39%	1.61%	1,410	7,158
FY 2022	175,001	5.00%	8,750	6,036	2,714	3.45%	1.55%	1,033	7,070
FY 2023	174,578	5.00%	8,729	6,467	2,262	3.70%	1.30%	803	7,270

Changes in the State's available debt capacity, as illustrated below, reflect the impact of several factors. These include a reduction to the personal income forecast due almost entirely to income revisions by the Bureau of Economic Analysis (BEA). In recent quarters, BEA has made sizeable revisions to prior-year income levels, which in turn changes the base on which DOB calculates income going forward. The substantial reduction to personal income makes it necessary to make capital spending reductions in order to stay within the debt cap in future years. The spending reductions are expected to be managed within anticipated underspending on capital projects throughout the plan period. Additional reductions to capital spending are assumed from the FY 2019 Statewide Efficiency Plan, which assumes a reduction on bond-financed capital spending starting in FY 2020. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit when the bonds become currently callable.

DEBT CAPACITY (millions of dollars)						
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
Mid-Year Update to the Financial Plan	3,826	1,846	448	58	216	-
Personal Income Forecast Adjustment	(137)	(57)	(69)	(55)	(28)	-
Capital Reestimates	195	(96)	(526)	(683)	(1,170)	-
Capital Efficiencies	-	-	399	742	1,061	-
FY 2019 Executive Budget Financial Plan	3,884	1,693	252	61	79	221

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf to pay for upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between DASNY and the hospitals and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of December 31, 2017, there were approximately \$220 million of bonds outstanding for this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014. Since then the State has paid \$85 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately \$26 million in FY 2019, \$28 million annually in FY 2020 and FY 2021, \$22 million in FY 2022, and \$17 million in FY 2023. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to \$9 million annually, if all hospitals in the Program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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

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

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

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

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing), is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. In its efforts to complete the demolitions and environmental remediation, the Purchaser is addressing issues raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

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

To date, Holdings has received no indication that NYU Hospitals Center intends to terminate its obligations under the purchase and sale agreement. As an alternative to termination, in light of

the delays, each of Holdings and NYU Hospitals Center has the contractual right at any time to take over and complete the demolition and environmental remediation at the Purchaser's sole cost and expense. If Holdings elects to take over the demolition and environmental remediation, it may do so directly or through a designee (i.e., a contractor).

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

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



**State Financial Plan Projections
Fiscal Years 2018 Through 2022**

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State Financial Plan Projections – Fiscal Years 2018 through 2022

Introduction

This section presents the State’s multi-year Updated Financial Plan projections for receipts and disbursements, reflecting the impact of forecast revisions in FY 2018 through FY 2022, with an emphasis on the FY 2019 projections.

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects estimated tax receipts before distribution to various funds and accounts, including tax receipts dedicated to capital projects funds (which fall outside of the General Fund and State Operating Funds accounting perspectives). DOB believes this presentation provides a clearer picture of projected receipts, trends, and forecast assumptions, by factoring out the distorting effects of earmarking tax receipts for specific purposes.
- **Disbursements:** Roughly 30 percent of projected State-financed spending for operating purposes (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, and transportation. To provide a 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 the Updated Financial Plan. Accordingly, in terms of outyear projections, the first “outyear” of the FY 2019 budget, FY 2020, is the most relevant from a planning perspective.

Summary

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

The projections for FY 2020 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 calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Updated Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

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

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

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Current	Proposed	Projected	Projected	Projected
RECEIPTS					
Taxes (After Debt Service)	67,288	66,801	71,260	73,608	76,700
Miscellaneous Receipts/Federal Grants	2,946	2,019	2,028	2,001	1,882
Other Transfers	1,207	2,381	1,868	1,761	1,727
Total Receipts	71,441	71,201	75,156	77,370	80,309
DISBURSEMENTS					
Local Assistance	46,501	49,938	53,087	55,780	58,273
School Aid	22,296	22,978	23,904	24,987	26,237
Medicaid/EP	13,361	13,840	15,057	15,955	16,852
All Other	10,844	13,120	14,126	14,838	15,184
State Operations	8,192	11,528	11,973	12,518	12,485
Personal Service	5,975	8,624	8,905	9,411	9,342
Non-Personal Service	2,217	2,904	3,068	3,107	3,143
General State Charges	5,650	7,597	8,132	8,641	9,148
Transfers to Other Funds	9,680	6,185	6,525	6,445	6,134
Debt Service	1,037	837	969	1,029	908
Capital Projects	2,004	3,246	3,433	3,213	2,882
State Share of Mental Hygiene Medicaid ¹	1,314	0	0	0	0
SUNY Operations	1,022	1,021	1,020	1,021	1,021
All Other	4,303	1,081	1,103	1,182	1,323
Total Disbursements	70,023	75,248	79,717	83,384	86,040
Use (Reservation) of Fund Balance:	(1,418)	4,047	1,090	825	619
Community Projects	17	39	0	0	0
Labor Agreements	(130)	0	0	0	0
Undesignated Fund Balance	(1,891)	1,905	0	0	0
Extraordinary Monetary Settlements ²	586	2,103	1,090	825	619
BUDGET SURPLUS/(GAP) PROJECTIONS³	0	0	(3,471)	(5,189)	(5,112)
Adherence to 2% Spending Benchmark⁴	n/a	n/a	2,659	4,760	5,640
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	(812)	(429)	528
<p>¹ The State will continue to pay its share of Medicaid costs; however, after the reclassification of Mental Hygiene spending from certain Special Revenue Funds to the General Fund, the State share of Mental Hygiene Medicaid will be transferred within the General Fund, rather than to a Special Revenue Fund.</p> <p>² Reflects transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund.</p> <p>³ Before actions to adhere to the 2 percent spending growth benchmark.</p> <p>⁴ Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2019 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).</p>					

State Operating Funds Projections

STATE OPERATING FUNDS DISBURSEMENTS (millions of dollars)					
	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
RECEIPTS					
Taxes	77,619	76,028	81,458	83,916	87,214
Miscellaneous Receipts/Federal Grants	20,452	20,068	19,574	19,403	19,384
Total Receipts	98,071	96,096	101,032	103,319	106,598
DISBURSEMENTS					
Local Assistance	65,794	66,413	69,008	71,605	74,175
School Aid (School Year Basis)	25,587	26,356	27,305	28,479	29,761
DOH Medicaid ¹	19,107	20,340	21,425	22,296	23,182
Transportation	5,026	3,962	3,653	3,702	3,834
STAR	2,585	2,410	2,322	2,261	2,217
Higher Education	2,826	3,054	3,168	3,218	3,258
Social Services	2,901	2,884	3,015	3,041	3,080
Mental Hygiene	2,372	2,173	2,524	2,862	3,143
All Other ²	5,390	5,234	5,596	5,746	5,700
State Operations	18,735	19,379	19,652	20,404	20,369
Personal Service	13,026	13,429	13,781	14,474	14,375
Non-Personal Service	5,709	5,950	5,871	5,930	5,994
General State Charges	7,976	8,549	9,120	9,697	10,219
Pension Contribution	2,461	2,469	2,590	2,753	2,918
Health Insurance	3,968	4,283	4,579	4,882	5,207
All Other	1,547	1,797	1,951	2,062	2,094
Debt Service	5,621	5,636	6,969	7,186	7,092
Capital Projects	0	0	0	0	0
Total Disbursements³	98,126	99,977	104,749	108,892	111,855
Net Other Financing Sources/(Uses)	1,008	(228)	(418)	(180)	9
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	(953)	4,109	664	564	136
General Fund	(1,418)	4,047	1,090	825	619
Special Revenue Funds	469	68	(420)	(254)	(420)
Debt Service Funds	(4)	(6)	(6)	(7)	(63)
GENERAL FUND BUDGET SURPLUS/(GAP)³	0	0	(3,471)	(5,189)	(5,112)
Adherence to 2% Spending Benchmark⁴	n/a	n/a	2,659	4,760	5,640
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	(812)	(429)	528

¹ Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The EP is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total State share Medicaid funding includes the utilization of tobacco MSA proceeds which will be directly deposited to the MMIS Escrow Fund to cover a portion of local Medicaid growth.

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

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

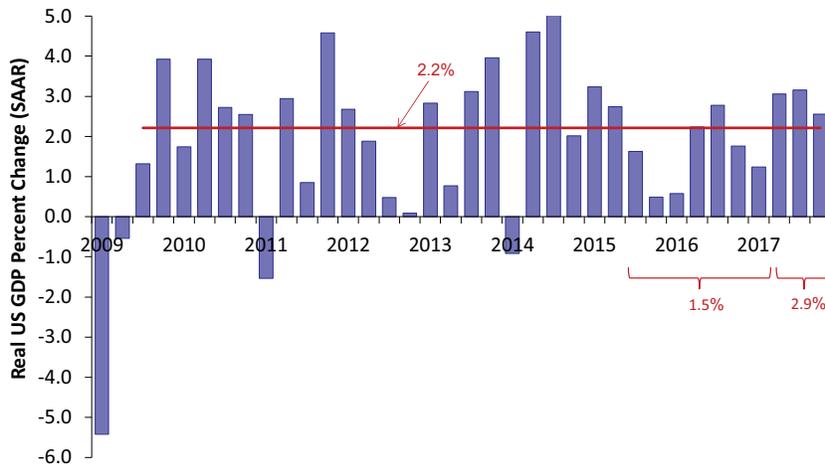
⁴ Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Economic Backdrop

The National Economy

The U.S. economy posted another quarter of above trend growth of 2.6 percent in the fourth quarter of calendar year 2017. The economy has continued to rebound from a protracted national and global slowdown, as well as from the impact of the 2017 storms, Hurricanes Harvey, Irma and Maria. Consumer spending continues to be fueled by a strong labor market, with wages starting to show improvement as well, due in part to rising minimum wages both here in New York and in many other states. In addition, improving global growth, and energy prices that continue to hover near \$60 per barrel, will likely be sufficient to keep real U.S. Gross Domestic Product (GDP) growth for 2018 and 2019 above the average 2.2 percent growth that has persisted over the entire life of the economic expansion to date. The TCJA is also expected to contribute to growth over the remainder of 2018 and during 2019. DOB estimates real U.S. GDP growth of 2.6 percent for 2018 on an annual average basis.

US Economic Growth Improving But Unlikely to Remain at 3 Percent



With the early February 2018 release of the January 2018 employment report, the Bureau of Labor Statistics (BLS) published its annual benchmark revision, which resulted in an upward revision to the average monthly private sector job gain for 2017 to 180,000, just above the 2016 average of 178,000. Moreover, the national labor market posted another strong employment report in January, adding 196,000 private sector jobs. As a result, DOB's current outlook for the labor market reflects projected national average monthly job gains of 160,000 for 2018. However, DOB continues to expect employment growth to slow as the expansion matures. Total nonagricultural employment growth of 1.4 percent is projected for 2018, decelerating from the 1.6 percent growth experienced in 2017. Although the conventional unemployment rate has fallen to 4.1 percent, its lowest level in 17 years, broader measures of under-employment, including the percentage of the

workforce working part-time, remain elevated, an indication that some labor market slack remains and that there is room for the unemployment rate to go down further.

Consistent with a tightening labor market, DOB projects wage growth of 3.7 percent for 2018, following growth of 3.1 percent for 2017. Overall personal income growth of 3.9 percent is estimated for 2018, following growth of 3.1 percent for 2017. In addition to stronger growth in pre-tax income, after-tax disposable income is expected to be lifted by income tax cuts. Based on the analysis by the nonpartisan Joint Committee on Taxation (JCT), the direct benefit of TCJA to U.S. households is estimated to total \$187 billion in 2018 and \$259 billion in 2019. However, there are several reasons why the benefits from the TCJA are expected to only marginally boost consumer spending. The personal income tax cuts were made temporary to conform with congressional “Pay-As-You-Go” budget rules and are largely directed toward wealthy households who have the largest marginal propensity to save. Moreover, the millions of employees approaching retirement are expected to add to their savings in preparation. As a result, consumer spending is only expected to increase by \$50 billion in 2018. After adjusting for increased imports, this additional spending is estimated to increase real GDP growth by about one tenth of a percentage point in both 2018 and 2019.

U.S. ECONOMIC INDICATORS (Percent change from prior calendar year)			
	2017 <u>(Actual)</u>	2018 <u>(Forecast)</u>	2019 <u>(Forecast)</u>
Real U.S. Gross Domestic Product	2.3	2.6	2.5
Consumer Price Index (CPI)	2.1	2.3	2.2
Personal Income	3.1	3.9	4.2
Nonagricultural Employment	1.6	1.4	1.3
Source: Moody's Analytics; DOB staff estimates.			

The TCJA's business tax cuts are expected to lift after-tax earnings, but only modestly lift investment spending. Research indicates that business investment is largely demand driven. Hence, without substantial evidence that U.S. households will significantly increase their spending plans, businesses are unlikely to risk additional capital. In addition, evidence from the 2004 repatriation holiday indicates that firms are more likely to allocate the preponderance of their tax cut proceeds toward dividend payouts and stock buybacks rather than toward investment. Moreover, the positive impact of the tax reductions is likely to be mitigated by rising long-term interest rates. On balance, projected real growth in business fixed investment has been revised up by 0.1 percentage point to 5.5 percent for 2018, following growth of 4.7 percent for 2017 and a decline of 0.6 percent for 2016.

DOB's forecast for nonresidential business fixed investment represents a substantial improvement relative to its recent performance, aided by increasing global demand for U.S. exports and expanded energy sector production. With the global economy entering a long-awaited period of

synchronized growth, and the dollar remaining well below its most recent peak, export demand has been steadily increasing. As a result, real export growth for 2018 is projected to be 5.2 percent for 2018, following growth of 3.4 percent for 2017 and a decline of 0.3 percent for 2016.

Disruptions from Hurricanes Harvey and Irma drove gasoline prices higher and boosted headline inflation in the second half of 2017. However, the impact of the storms on inflation is expected to be transitory, with consumer price inflation expected to accelerate only modestly to 2.3 percent in 2018. Medical price inflation is projected to advance to 2.7 percent in 2018, following growth of 2.5 percent in 2017, still tame by historical standards. DOB projects that with inflation reaching the Federal Reserve's goal of 2 percent, the effective Federal funds rate will rise from its 1.0 percent annual average in 2017 to 1.8 percent in 2018 and 2.3 percent in 2019. These projections are consistent with three short-term rate hikes expected by the FOMC in 2018, and two more projected rate hikes in 2019.

The 10-year Treasury yield has been flirting with 2.9 percent, a level that has not been breached since early 2014. Higher long-term interest rates help to steepen the yield curve and improve banking sector profits, but it represents a risk to the continued recovery of the housing market. Moreover, the TCJA eliminates the interest deduction on home equity debt and new mortgage debt in excess of \$750,000, and limits the combined deduction for SALT and property taxes to \$10,000, all of which could negatively affect the housing market. DOB projects real growth in residential fixed investment of 3.8 percent for 2018.

There are many risks to the Executive Budget Financial Plan forecast. Since the middle of January 2018, equity market volatility has re-emerged after remaining at bay for virtually all of 2017. The S&P 500 stock index lost 10.2 percent of its value during the brief period between January 26, 2018 and February 8, 2018, although it has regained some of that value as of the date of this AIS Update. This correction may represent a harbinger of the turbulence to come as the global economy makes the transition away from low interest rates and bloated central bank balance sheets. Moreover, anxiety surrounding the long-term impact of the TCJA on Federal budget deficits and the national debt also appears to have permeated the investor mindset. Lower and more volatile equity prices can result in lower household spending both through the wealth effect and as a signal that rough waters are ahead.

On the positive side, stronger consumer spending and business investment than projected could result in stronger growth in employment, wages, and the overall economy. Stronger global growth than expected could have a similar impact, although that effect could be mitigated by trade wars, should they emerge in a substantial way. Additionally, a stronger housing market than projected could also result in stronger employment and income growth than currently projected, although substantially higher interest rates than expected could have the opposite effect.

The New York State Economy

New York State’s private sector labor market appears to be stabilizing after a period of deceleration that started at the end of 2015 and continued through the first half of 2017. This period of slower job growth coincided with slowdowns in both national and global growth that appear to have turned around during the second quarter of 2017. State private sector job growth of 1.3 percent is projected for 2018, following estimated growth of 1.4 percent in 2017.

Although the TCJA is expected to positively affect finance sector after-tax profits, recent equity market volatility could result in a lower volume of financial market activity if the volatility causes some investors to withdraw from trading altogether, which in turn could result in lower revenue growth for 2018. DOB estimates finance and insurance sector bonus growth for FY 2019 of 4.4 percent, following 4.3 percent growth for FY 2018, which includes the bonus season now in progress. FY 2019 growth in underlying non-bonus wages is projected at 4.1 percent, following an estimated 3.6 percent for FY 2018. Total State wage growth of 4.2 percent is projected for FY 2019, up from a downwardly revised 3.5 percent State wage growth for FY 2018.

NEW YORK STATE ECONOMIC INDICATORS (Percent change from prior State fiscal year)			
	FY 2017 (Actual)	FY 2018 (Estimated)	FY 2019 (Forecast)
Personal Income	2.7	3.4	4.4
Wages	3.8	3.5	4.2
Nonagricultural Employment	1.4	1.2	1.1

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

Although the State’s private-sector labor market appears to be stabilizing, there are many risks to the forecast. All the risks to the U.S. forecast apply to the State forecast as well, although as the nation’s financial capital, both the volume of financial market activity and the volatility in equity markets pose a particularly large degree of uncertainty for New York. The uncertainty surrounding the macroeconomic outlook for the national and global economies is amplified in the financial markets, as demonstrated by recent events. Weaker and/or more volatile markets than anticipated could result in weaker bonus growth and, hence, weaker wage growth overall, in addition to lower taxable capital gains realizations. In contrast, stronger equity markets, along with stronger national and global growth, could result in stronger employment and wage growth than is reflected in this forecast.

Receipts

The Updated Financial Plan receipts results and projections include a variety of taxes, fees and assessments, charges for State-provided services, Federal grants, and other miscellaneous receipts, as well as collection of a 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 (i.e. absent law changes) in tax receipts is dependent on many factors. In general, base tax receipts growth rates are determined by economic changes including, but not limited to, changes in interest rates, prices, wages, employment, non-wage income, capital gains realizations, taxable consumption, corporate profits, household net worth, real estate prices and gasoline prices. Federal law changes can influence taxpayer behavior, which often alters base tax receipts. State taxes account for approximately half of total All Funds receipts.

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

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

Overview of the Receipts Forecast

All Funds receipts in FY 2018 are projected to total \$164.6 billion, 5.2 percent above FY 2017 results.

ALL FUNDS RECEIPTS											
(millions of dollars)											
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
Personal Income Tax	47,565	50,935	7.1%	49,244	-3.3%	53,206	8.0%	54,816	3.0%	57,238	4.4%
Consumption/Use Taxes	16,212	16,754	3.3%	17,664	5.4%	18,380	4.1%	18,928	3.0%	19,494	3.0%
Business Taxes	6,979	7,346	5.3%	8,258	12.4%	8,913	7.9%	9,114	2.3%	9,320	2.3%
Other Taxes	2,236	2,479	10.9%	2,263	-8.7%	2,379	5.1%	2,476	4.1%	2,578	4.1%
Payroll Mobility Tax	1,380	1,438	4.2%	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Total State Taxes	74,372	78,952	6.2%	77,429	-1.9%	82,878	7.0%	85,334	3.0%	88,630	3.9%
Miscellaneous Receipts	26,594	27,829	4.6%	27,899	0.3%	26,156	-6.2%	25,225	-3.6%	25,640	1.6%
Federal Receipts	55,406	57,777	4.3%	57,878	0.2%	58,589	1.2%	59,214	1.1%	60,732	2.6%
Total All Funds Receipts	156,372	164,558	5.2%	163,206	-0.8%	167,623	2.7%	169,773	1.3%	175,002	3.1%

State tax receipts are projected to increase 6.2 percent in FY 2018, with increases across all tax categories. Refer to the Personal Income Tax section herein for additional explanation of the atypical growth rate pattern for FY 2018 and FY 2019.

Consistent with the projected growth in the State economy over the multi-year Updated Financial Plan period beyond FY 2018, all tax categories are projected to exhibit underlying annual out-year growth.

After controlling for the impact of tax law changes, base tax revenue increased 0.2 percent in FY 2017, and is projected to increase by 6.1 percent in FY 2018 and decrease by 2.6 percent in FY 2019.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)											
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	47,565	50,935	7.1%	49,244	-3.3%	53,206	8.0%	54,816	3.0%	57,238	4.4%
Gross Collections	56,517	61,060	8.0%	60,334	-1.2%	65,238	8.1%	66,064	1.3%	69,530	5.2%
Refunds (Incl. State/City Offset)	(8,952)	(10,125)	-13.1%	(11,090)	-9.5%	(12,032)	-8.5%	(11,248)	6.5%	(12,292)	-9.3%
GENERAL FUND¹	32,535	35,616	9.5%	22,212	-37.6%	24,281	9.3%	25,147	3.6%	26,402	5.0%
Gross Collections	56,517	61,060	8.0%	60,334	-1.2%	65,238	8.1%	66,064	1.3%	69,530	5.2%
Refunds (Incl. State/City Offset)	(8,952)	(10,125)	-13.1%	(11,090)	-9.5%	(12,032)	-8.5%	(11,248)	6.5%	(12,292)	-9.3%
STAR	(3,139)	(2,585)	17.6%	(2,410)	6.8%	(2,322)	3.7%	(2,261)	2.6%	(2,217)	1.9%
RBTF	(11,891)	(12,734)	-7.1%	(24,622)	-93.4%	(26,603)	-8.0%	(27,408)	-3.0%	(28,619)	-4.4%

¹Excludes Transfers.

All Funds PIT receipts for FY 2018 are estimated to total \$50.9 billion, an increase of \$3.4 billion (7.1 percent) from FY 2017 results. This increase is driven by growth in withholding and estimated payments for tax year 2017. Growth in these categories is partially offset by declines in final returns and extension payments attributable to the 2016 tax year, in addition to an increase in total refunds.

State Financial Plan Projections
Fiscal Years 2018 Through 2022

The following table summarizes, by component, actual receipts for FY 2017 and forecast amounts through FY 2022.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS						
(millions of dollars)						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Results	Current	Proposed	Projected	Projected	Projected
Receipts						
Withholding	37,524	39,459	41,314	42,557	43,543	45,651
Estimated Payments	14,972	17,734	14,921	18,369	18,012	19,176
Current Year	10,912	14,278	12,729	13,742	12,583	13,535
Prior Year ¹	4,060	3,456	2,192	4,627	5,429	5,641
Final Returns	2,588	2,441	2,599	2,748	2,908	3,032
Current Year	260	271	286	301	316	331
Prior Year ¹	2,328	2,170	2,313	2,447	2,592	2,701
Delinquent	1,433	1,426	1,500	1,564	1,601	1,671
Gross Receipts	56,517	61,060	60,334	65,238	66,064	69,530
Refunds						
Prior Year ¹	5,199	6,338	6,699	7,221	7,613	8,507
Previous Years	474	500	522	552	582	613
Current Year ¹	1,750	1,750	1,749	1,751	1,750	1,750
Advanced Credit Payment	678	689	1,247	1,709	479	573
State/City Offset ¹	851	848	873	799	824	849
Total Refunds	8,952	10,125	11,090	12,032	11,248	12,292
Net Receipts	47,565	50,935	49,244	53,206	54,816	57,238

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

Withholding in FY 2018 is estimated to be \$1.9 billion (5.2 percent) higher than FY 2017 results, driven by moderate wage growth partially associated with improved bonus growth. Extension payments related to tax year 2016 are expected to decline by \$604 million (14.9 percent), primarily due to declines in capital gains resulting, in part, from taxpayer uncertainty regarding potential tax year 2017 Federal tax rate cuts. Estimated payments for tax year 2017 are projected to increase by \$3.4 billion (30.8 percent), driven by a combination of 9.9 percent growth in nonwage income and taxpayer behavior, stemming from the TCJA and expiration of the Federal 10-year window to repatriate foreign hedge fund earnings. FY 2018 final return payments and delinquencies are projected to decline by \$147 million (5.7 percent) and \$7 million (0.5 percent), respectively.

The projected growth in total refunds of \$1.2 billion (13.1 percent) includes increases of \$1.1 billion (21.9 percent) in prior tax year (2016) refunds, \$26 million (5.5 percent) in previous tax year (2015 and earlier) refunds, and \$11 million (1.6 percent) in advanced credit payments related to tax year 2017, partially offset by a \$3 million (0.4 percent) decline in the state-city offset.

General Fund PIT receipts are net of deposits to the STAR Fund, which provides property tax relief, and the RBTF, which supports debt service payments on State PIT revenue bonds. General Fund PIT receipts for FY 2018 of \$35.6 billion are projected to increase by \$3.1 billion (9.5 percent) from FY 2017 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$12.7 billion and the STAR transfer is projected to be \$2.6 billion.

All Funds PIT receipts for FY 2019 of \$49.2 billion are projected to decrease by \$1.7 billion (3.3 percent) from FY 2018 estimates. Gross PIT receipts are projected to decrease 1.2 percent, reflecting withholding that is projected to grow by \$1.9 billion (4.7 percent), offset by estimated payments related to tax year 2018 that are projected to decline by \$1.5 billion (10.8 percent), extension payments related to tax year 2017 that are projected to decrease by \$1.3 billion (36.6 percent). The decline in extension payments reflects taxpayer behavior related the TCJA, which caused taxpayers to accelerate New York State tax liability payments into December 2017 to take advantage of uncapped SALT deductions for tax year 2017. Final returns are expected to increase by \$158 million (6.5 percent) and delinquencies are projected to increase \$74 million (5.2 percent) from FY 2018. Total refunds are projected to increase by \$965 million (9.5 percent) from FY 2018, primarily due to the property tax relief credit enacted in 2015 and the recent conversions of New York City STAR benefits into State tax credits.

General Fund PIT receipts for FY 2019 of \$22.2 billion are projected to decrease by \$13.4 billion (37.6 percent), reflecting proposed legislation that doubles RBTF deposits from the current 25 percent of net PIT receipts to 50 percent of net PIT receipts. As a result, RBTF deposits in FY 2019 are projected to nearly double to \$24.6 billion. The FY 2019 STAR transfer is projected to be \$2.4 billion.

All Funds PIT receipts for FY 2020 of \$53.2 billion are projected to increase by \$4 billion (8 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 8.1 percent, reflecting withholding that is projected to grow by \$1.2 billion (3 percent) and total estimated payments that are projected to grow by \$3.4 billion (23.1 percent), partially offset by a projected increase in total refunds of \$942 million (8.5 percent).

The relatively low withholding growth rate reflects the expiration of the FY 2018 Enacted Budget two-year high-income surcharge extension, scheduled to sunset after tax year 2019. The strong growth in total estimated payments is primarily driven by a projected increase of \$2.4 billion (111.1 percent) in extensions for tax year 2018, driven by an unwinding of the aforementioned New York State tax liability payment acceleration as taxpayers revert to estimated payment timing that falls in line with historical norms. Estimated payments related to tax year 2019 are projected to grow by \$1 billion (8 percent) and final returns are expected to increase by \$149 million (5.7 percent). Delinquencies are projected to increase \$64 million (4.3 percent) from tax year 2018.

General Fund PIT receipts for FY 2020 of \$24.3 billion are projected to increase by \$2.1 billion (9.3 percent). RBTF deposits are projected to be \$26.6 billion, and the STAR transfer is projected to be \$2.3 billion.

All Funds PIT receipts in FY 2021 are projected to increase by \$1.6 billion to \$54.8 billion, while General Fund PIT receipts are projected to total \$25.1 billion. This projected modest growth is driven by the scheduled expiration of the high-income surcharge rate extension beginning in tax year 2020, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts.

Projections for FY 2020 and FY 2021 account for the impacts of the Executive Budget proposal for decoupling from the TCJA, as described earlier in this AIS Update.

Consumption/Use Taxes

CONSUMPTION/USE TAXES (millions of dollars)											
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	16,212	16,754	3.3%	17,664	5.4%	18,380	4.1%	18,928	3.0%	19,494	3.0%
Sales Tax	13,869	14,510	4.6%	15,266	5.2%	15,963	4.6%	16,562	3.8%	17,174	3.7%
Cigarette and Tobacco Taxes	1,236	1,177	-4.8%	1,152	-2.1%	1,119	-2.9%	1,076	-3.8%	1,035	-3.8%
Motor Fuel Tax	519	515	-0.8%	512	-0.6%	507	-1.0%	504	-0.6%	501	-0.6%
Highway Use Tax	138	96	-30.4%	142	47.9%	142	0.0%	143	0.7%	145	1.4%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%	281	1.8%
Opioid Epidemic Surcharge	0	0	0.0%	127	N/A	171	34.6%	154	-9.9%	138	-10.4%
Medical Marihuana Excise Tax	1	2	100.0%	2	0.0%	2	0.0%	2	0.0%	2	0.0%
Taxicab Surcharge	64	59	-7.8%	59	0.0%	59	0.0%	59	0.0%	59	0.0%
Auto Rental Tax	127	133	4.7%	137	3.0%	145	5.8%	152	4.8%	159	4.6%
GENERAL FUND¹	7,101	7,386	4.0%	7,752	5.0%	8,087	4.3%	8,361	3.4%	8,644	3.4%
Sales Tax	6,483	6,784	4.6%	7,139	5.2%	7,467	4.6%	7,748	3.8%	8,035	3.7%
Cigarette and Tobacco Taxes	360	340	-5.6%	346	1.8%	348	0.6%	337	-3.2%	328	-2.7%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%	281	1.8%

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2018 are projected to total \$16.8 billion, a \$542 million (3.3 percent) increase from FY 2017 results. Sales tax receipts are projected to increase \$641 million (4.6 percent) from FY 2017 results, reflecting base growth (i.e., absent law changes) of 4.6 percent. This base growth stems from projected disposable income and consumption growth. Cigarette and tobacco tax collections are projected to decrease by \$59 million (4.8 percent), reflecting a trend decline in taxable cigarette consumption. Highway use tax (HUT) collections are projected to decrease by \$42 million (30.4 percent) due to a \$44 million increase in refund payments resulting from the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision. Motor fuel tax collections are projected to decrease by \$4 million (0.8 percent), reflecting higher refunds, which are partially offset by slight growth in both taxable motor fuel and diesel fuel consumption. Taxicab surcharge receipts are estimated to decline by \$5 million (7.8 percent) resulting from consumers choosing alternative transportation services not subject to the surcharge. Auto rental tax receipts are projected to increase by \$6 million (4.7 percent).

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

General Fund consumption/use tax receipts for FY 2018 are projected to total nearly \$7.4 billion, a \$285 million (4 percent) increase from FY 2017 results. This increase largely reflects the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

All Funds consumption/use tax receipts for FY 2019 are projected to total over \$17.7 billion, a \$910 million (5.4 percent) increase from FY 2018 estimates. The projected \$756 million (5.2 percent) increase in sales tax receipts reflects sales tax base growth of 3.3 percent related to the projected slower growth in both the consumption of taxable goods and disposable income. Sales tax cash receipts growth is boosted by Executive Budget proposals to provide for taxation of internet-based purchases and repeal of an outdated exemption. HUT receipts are projected to increase \$46 million (47.9 percent) as long-term trend levels are resumed following the previous year's refund increases noted above. A continued trend decline in taxable cigarette consumption is also projected, but is projected to be partially offset by proposals to improve cigar tax enforcement and impose a health tax on vapor products. The proposed opioid epidemic surcharge is projected to generate \$127 million in FY 2019.

General Fund consumption/use tax receipts are projected to be \$7.8 billion in FY 2019, a \$366 million (5 percent) increase from FY 2018. The projected increase largely reflects the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

All Funds consumption/use tax receipts for FY 2020 are projected to be \$18.4 billion, a \$716 million (4.1 percent) increase from FY 2019. The projected increase reflects sales tax base growth of 3.9 percent, the tobacco tax proposals noted above, and the first fully effective year of the opioid epidemic surcharge, partially offset by a trend decline in taxable cigarette consumption. FY 2020 General Fund consumption/use tax receipts are projected to increase to \$8.1 billion, a \$335 million (4.3 percent) increase from FY 2019 projections.

All Funds consumption/use tax receipts are projected to increase to \$18.9 billion (3 percent growth) in FY 2021, largely representing base growth in sales tax receipts which are slightly offset by a continued trend decline in taxable cigarette consumption. General Fund consumption/use tax receipts are projected to increase to \$8.4 billion (3.4 percent growth) in FY 2021, reflecting the All Funds sales and use tax and cigarette and tobacco tax trends, noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)											
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	6,979	7,346	5.3%	8,258	12.4%	8,913	7.9%	9,114	2.3%	9,320	2.3%
Corporate Franchise Tax	3,166	3,286	3.8%	4,401	33.9%	4,996	13.5%	5,124	2.6%	5,242	2.3%
Corporation and Utilities Tax	720	737	2.4%	710	-3.7%	724	2.0%	734	1.4%	743	1.2%
Insurance Tax	1,580	1,721	8.9%	1,868	8.5%	1,956	4.7%	2,098	7.3%	2,186	4.2%
Bank Tax	389	505	29.8%	143	-71.7%	71	-50.3%	0	-100.0%	0	0.0%
Petroleum Business Tax	1,124	1,097	-2.4%	1,136	3.6%	1,166	2.6%	1,158	-0.7%	1,149	-0.8%
GENERAL FUND	4,761	5,108	7.3%	5,869	14.9%	6,442	9.8%	6,607	2.6%	6,766	2.4%
Corporate Franchise Tax	2,476	2,559	3.4%	3,539	38.3%	4,083	15.4%	4,174	2.2%	4,248	1.8%
Corporation and Utilities Tax	538	565	5.0%	540	-4.4%	550	1.9%	556	1.1%	562	1.1%
Insurance Tax	1,410	1,539	9.1%	1,668	8.4%	1,749	4.9%	1,877	7.3%	1,956	4.2%
Bank Tax	337	445	32.0%	122	-72.6%	60	-50.8%	0	-100.0%	0	0.0%
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

All Funds business tax receipts for FY 2018 are projected to total over \$7.3 billion, an increase of \$367 million (5.3 percent) from FY 2017 results. The estimate reflects increases for all business taxes apart from a \$27 million decline in the petroleum business tax (PBT).

Corporation franchise tax receipts are projected to increase \$120 million (3.8 percent) in FY 2018, reflecting higher audits and minimal growth in gross receipts. FY 2017 results were negatively impacted by a cut in the business income tax rate from 7.1 to 6.5 percent as well as a shortfall in cash remittances on tax year 2015 final returns. This lack of March 2017 cash remittances indicated taxpayers significantly overpaid on 2015 liability during previous quarterly estimated payment events. Taxpayers made much lower estimated payments in December 2017 than expected, possibly indicating their estimated 2017 liability has declined from earlier in the year. It is also possible taxpayers overpaid on 2016 liability reducing the need to remit cash during 2017. This will not be known until taxpayers file their 2016 final returns. Audit receipts are projected to increase in FY 2018 (by \$115 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are projected to increase \$17 million (2.4 percent) in FY 2018. Higher audits received from telecommunication companies are partially offset by weakness in 2017 liability payments from both telecommunication and utility taxpayers.

Insurance tax receipts for FY 2018 are projected to increase \$141 million (8.9 percent) from FY 2017. Projected growth in tax year 2017 liability as well as lower expected credit claims for assessments paid to the Life Insurance Company Guaranty Corporation (LICGC) account for the year-over-year increase. The LICGC exists to protect policyholders from the insolvency of their life insurers. This is the second year of refund claims for the credit for assessments paid earlier.

Receipts from the repealed bank tax (all from prior liability periods) are projected to increase by \$116 million in FY 2018, stemming from higher audit receipts (additional \$60 million) and smaller prior period adjustments.

PBT receipts are projected to decline \$27 million (2.4 percent) in FY 2018, primarily due to the 5 percent decrease in the PBT rate index effective January 1, 2017, partially offset by the projected 5 percent increase in the PBT rate index effective January 1, 2018.

General Fund business tax receipts for FY 2018 of \$5.1 billion are projected to increase \$347 million (7.3 percent) from FY 2017 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of nearly \$8.3 billion are projected to increase by \$912 million (12.4 percent) from FY 2018 estimates. The corporation franchise tax receipts increase of \$1.1 billion (33.9 percent) reflects projected growth in corporate profits, higher audits, and progress toward completion of corporate reform regulations by the Department of Taxation and Finance. FY 2019 projections also include \$60 million resulting from taxable interest associated with the TCJA repatriated earnings provision and \$20 million from other TCJA flow-through impacts. The corporation and utilities tax receipts decline of \$27 million (3.7 percent) is primarily attributable to higher FY 2018 audits related to telecommunication companies that are not expected to recur.

Insurance tax receipts for FY 2019 of \$1.9 billion are projected to increase \$147 million (8.5 percent) from current year estimates. Projected growth in insurance tax premiums combined with lower expected LICGC credit claims contribute to this year-over-year growth. Receipts from the repealed bank tax are projected to decrease by \$362 million (71.7 percent) in FY 2019, due to lower projected audit receipts. PBT receipts are projected to increase \$39 million (3.6 percent) in FY 2019, primarily due to a 5 percent increase in the PBT rate index effective January 1, 2018, paired with a projected 5 percent increase in the PBT rate index effective January 1, 2019.

General Fund business tax receipts for FY 2019 of \$5.9 billion are projected to increase \$761 million (14.9 percent) from current year estimates, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of \$8.9 billion are projected to increase by \$655 million (7.9 percent), and General Fund business tax receipts are projected to increase to \$6.4 billion (9.8 percent growth) from FY 2019 projections. The increase is primarily reflective of growth in corporation franchise tax receipts driven by higher gross receipts and lower refunds. Increases in projected corporation and utilities tax, insurance tax, and PBT receipts are partially offset by a decline in projected bank tax receipts. The projection includes \$61 million in TCJA flow-through impacts.

All Funds business tax receipts for FY 2021 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. In FY 2021, All Funds business tax receipts are projected to increase to \$9.1 billion (2.3 percent growth), and General Fund business tax receipts are projected to increase to nearly \$6.6 billion (2.6 percent growth). This projection includes \$52 million in TCJA flow-through impacts.

Other Taxes

OTHER TAXES (millions of dollars)											
	FY 2017 Results	FY 2018 Current	Change	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE/ALL FUNDS	2,236	2,479	10.9%	2,263	-8.7%	2,379	5.1%	2,476	4.1%	2,578	4.1%
Estate and Gift Tax	1,091	1,314	20.4%	1,033	-21.4%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Real Estate Transfer Tax	1,126	1,147	1.9%	1,212	5.7%	1,269	4.7%	1,303	2.7%	1,340	2.8%
Employer Compensation Expense Tax	0	0	0.0%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
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	16	15	-6.3%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND¹	1,110	1,332	20.0%	1,051	-21.1%	1,110	5.6%	1,173	5.7%	1,238	5.5%
Estate and Gift Tax	1,091	1,314	20.4%	1,033	-21.4%	1,092	5.7%	1,155	5.8%	1,220	5.6%
Employer Compensation Expense Tax	0	0	0.0%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
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	16	15	-6.3%	15	0.0%	15	0.0%	15	0.0%	15	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%	3	0.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2018 are estimated to total nearly \$2.5 billion, an increase of \$243 million (10.9 percent) from FY 2017 results. This is primarily due to an estimated \$223 million (20.4 percent) increase in estate tax receipts which is a result of two unusually large payments of greater than \$100 million that are partially offset by the continued phase-in of the increased filing threshold. Real estate transfer tax receipts are expected to grow at a tepid 1.9 percent due to weak growth in the Manhattan luxury market and declines in transaction volume and sales prices in the New York City commercial real estate market.

General Fund other tax receipts are estimated to be above \$1.3 billion in FY 2018, an increase of \$222 million (20 percent) from FY 2017 results, reflecting the estate tax receipts increase noted above.

All Funds other tax receipts for FY 2019 are projected to be under \$2.3 billion, a \$216 million (8.7 percent) decrease from FY 2018 estimates. The \$281 million (21.4 percent) projected decline in estate tax receipts reflects a return to a historical number and average payment value of super-large (i.e., over \$25 million) payments, as well as the continuation of the phase-in of the increased filing threshold. Real estate transfer tax receipts are projected to increase by \$65 million (5.7 percent), reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2019 are projected to be below \$1.1 billion, declining \$281 million (21.1 percent) from FY 2018 estimates owing to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 are projected to be just under \$2.4 billion, a \$116 million (5.1 percent) increase from FY 2019 projections. Estate tax receipts are projected to increase by \$59 million (5.7 percent) in FY 2020, reflecting projected growth in household net worth. The \$57 million (4.7 percent) projected increase in real estate transfer tax receipts in FY 2020 reflects projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to total just over \$1.1 billion, an increase of \$59 million (5.6 percent), resulting from the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 reflect projected trend growth in household net worth, housing starts, and housing prices. All Funds other tax receipts are projected to be nearly \$2.5 billion (4.1 percent growth) in FY 2021.

General Fund other tax receipts are projected to be slightly below \$1.2 billion (5.7 percent growth) in FY 2021.

Miscellaneous Receipts

All Funds miscellaneous receipts include moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, Tribal-State compact revenue, Extraordinary Monetary Settlements and a variety of fees. As such, miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, tuition income revenue and other miscellaneous receipts.

MISCELLANEOUS RECEIPTS (millions of dollars)											
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	26,594	27,829	4.6%	27,899	0.3%	26,156	-6.2%	25,225	-3.6%	25,640	1.6%
General Fund	3,813	2,946	-22.7%	2,019	-31.5%	2,028	0.4%	2,001	-1.3%	1,882	-5.9%
Special Revenue Funds	17,686	17,121	-3.2%	17,712	3.5%	17,162	-3.1%	17,020	-0.8%	17,123	0.6%
Capital Projects Funds	4,637	7,292	57.3%	7,703	5.6%	6,497	-15.7%	5,735	-11.7%	6,167	7.5%
Debt Service Funds	458	470	2.6%	465	-1.1%	469	0.9%	469	0.0%	468	-0.2%

All Funds miscellaneous receipts are projected to total \$27.8 billion in FY 2018, an increase of 4.6 percent from FY 2017 results. This increase is primarily due to higher bond financed capital spending on a year-over-year basis. Bond-financed capital expenses are paid from the General Fund (or Short-Term Investment Pool) in the first instance and subsequently reimbursed with authority bond proceeds, at which time they are captured as miscellaneous receipts.

All Funds miscellaneous receipts are projected to remain constant from FY 2018 to FY 2019, and are projected to decline annually thereafter, reflecting the impact of Extraordinary Monetary Settlements received in FY 2018, and a decrease in bond proceeds reimbursements in later years, which subsequently corresponds to the spending out of bond-financed capital projects.

Federal Grants

FEDERAL GRANTS (millions of dollars)											
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021		FY 2022	
	Results	Current	Change	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
ALL FUNDS	55,406	57,777	4.3%	57,878	0.2%	58,589	1.2%	59,214	1.1%	60,732	2.6%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	52,725	55,434	5.1%	55,376	-0.1%	56,287	1.6%	56,954	1.2%	58,474	2.7%
Capital Projects Funds	2,608	2,270	-13.0%	2,429	7.0%	2,229	-8.2%	2,187	-1.9%	2,187	0.0%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%	71	-2.7%

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 that Federal reimbursements will be received in the State fiscal year in which spending occurs, but due to the variable timing of Federal grant receipts, actual results often differ from the projections.

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

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

Disbursements

Total disbursements in FY 2019 are estimated at \$75.2 billion in the State's General Fund (including transfers) and \$100.0 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth, as further described in this section.

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

Local Assistance Grants

Local Assistance spending includes payments to local governments, school districts, health care providers, and other entities, as well as financial assistance to, or on behalf of, individuals, families and not-for-profit organizations. Local assistance spending in State Operating Funds is estimated at \$66 billion in FY 2019, approximately two-thirds of total State Operating Funds spending. Education and health care spending account for nearly three-quarters of total State Operating Funds local assistance spending.

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES (millions of dollars)					
	FY 2018 Current	Forecast			
		FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
HEALTH CARE					
Medicaid - Individuals Covered	6,178,707	6,206,629	6,220,590	6,227,570	6,231,060
Essential Plan - Individuals Covered	684,352	689,095	691,466	692,652	693,245
Child Health Plus - Individuals Covered	359,855	369,605	375,230	377,386	378,512
State Takeover of County/NYC Costs ¹	\$2,996	\$3,337	\$3,677	\$4,027	\$4,389
EDUCATION					
School Aid (School Year Basis Funding)	\$25,587	\$26,356	\$27,305	\$28,479	\$29,761
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	557,854	557,854	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	275,916	276,207	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	217,760	214,749	211,525	208,308	205,200
Safety Net Program (Families)	120,905	119,575	117,673	115,815	114,035
Safety Net Program (Singles)	206,880	209,570	211,088	213,086	215,112
MENTAL HYGIENE					
OMH Community Beds	44,986	46,710	47,626	48,396	49,191
OPWDD Community Beds	42,867	43,296	43,729	44,166	44,608
OASAS Community Beds	<u>13,562</u>	<u>13,635</u>	<u>13,825</u>	<u>13,860</u>	<u>13,860</u>
Total	101,415	103,641	105,180	106,422	107,659
PRISON POPULATION					
	50,300	50,300	50,300	50,300	50,300

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

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to total \$26.4 billion in SY 2019, an annual increase of \$769 million (3.0 percent), including a \$338 million Foundation Aid increase and a \$64 million Fiscal Stabilization Fund. A Community Schools set-aside of \$200 million within Foundation Aid, a \$50 million increase from the prior year, provides funds intended to facilitate the transformation of schools into community hubs. In addition, another \$317 million supports increased reimbursement in expense-based and categorical aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

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

School Aid is projected to increase by an additional \$949 million (3.6 percent) in SY 2020.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) ¹									
(millions of dollars)									
	<u>SY 2018</u>	<u>SY 2019</u>	<u>Change</u>	<u>SY 2020</u>	<u>Change</u>	<u>SY 2021</u>	<u>Change</u>	<u>SY 2022</u>	<u>Change</u>
Total	25,587	26,356	769	27,305	949	28,479	1,174	29,761	1,282
			3.0%		3.6%		4.3%		4.5%

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

State Fiscal Year

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

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

SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2018	FY 2019		FY 2020		FY 2021		FY 2022	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	25,738	26,319	2.3%	27,274	3.6%	28,360	4.0%	29,610	4.4%
General Fund Local Assistance	22,246	22,928	3.1%	23,854	4.0%	24,937	4.5%	26,187	5.0%
Medicaid	50	50	0.0%	50	0.0%	50	0.0%	50	0.0%
Core Lottery Aid	2,395	2,294	-4.2%	2,288	-0.3%	2,291	0.1%	2,291	0.0%
VLT Lottery Aid	955	907	-5.0%	934	3.0%	934	0.0%	934	0.0%
Commercial Gaming - VLT Offset	11	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Commercial Gaming	81	140	72.8%	148	5.7%	148	0.0%	148	0.0%

State fiscal year spending for School Aid is projected to total \$26.3 billion in FY 2019, a 2.3 percent increase over FY 2018. Over the multi-year Updated Financial Plan, the share of School Aid spending projected to be financed by the General Fund is expected to increase as core lottery, video lottery and commercial gaming revenues are expected to remain largely flat beginning in FY 2020. In addition to State aid, school districts currently receive more than \$3 billion annually in Federal aid.

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

Other Education Funding

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

OTHER EDUCATION (millions of dollars)									
	FY 2018	FY 2019		FY 2020		FY 2021		FY 2022	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,247	2,194	-2.4%	2,092	-4.6%	2,190	4.7%	2,291	4.6%
Special Education	1,336	1,316	-1.5%	1,372	4.3%	1,448	5.5%	1,537	6.1%
All Other Education	911	878	-3.6%	720	-18.0%	742	3.1%	754	1.6%

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

The decrease in the projected FY 2019 Special Education spending is attributable to the Executive's proposal to align State reimbursement to school districts for Summer School Special Education tuition and education costs with the wealth-equalized aid ratio used to reimburse schools for similar programs operated during the school year, as well as one-time audit recoveries for the preschool special education program. Outyear growth for Special Education is attributable to increased State reimbursement to special education providers for minimum wage costs and projected enrollment and cost growth in preschool and summer school special education programs.

The projected FY 2019 and FY 2020 decrease in All Other Education spending primarily reflects the discontinuation or reduction of one-time aid and grants, and the discontinuation of reimbursement for charter school supplemental basic tuition for New York City, respectively.

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

The three components of STAR and their approximate shares of projected FY 2019 program costs are: the basic school property tax exemption or credit for homeowners with incomes under \$500,000 (53 percent); enhanced school property tax exemption or credit for senior citizen homeowners with incomes under \$86,300 (28 percent); and a credit for income-eligible resident New York City personal income taxpayers (19 percent). The FY 2018 Enacted Budget included the conversion of the New York City PIT rate reduction benefit into a PIT tax credit, which will reduce and eventually eliminate it as a component of State Operating Funds spending. This change will have no impact on the value of the STAR benefit received by taxpayers.

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

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS									
(millions of dollars)									
	FY 2018	FY 2019		FY 2020		FY 2021		FY 2022	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,585	2,410	-6.8%	2,322	-3.7%	2,261	-2.6%	2,217	-1.9%
Gross Program Costs	3,412	3,348	-1.9%	3,266	-2.4%	3,281	0.5%	3,310	0.9%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(492)	(938)	-90.7%	(944)	-0.6%	(1,020)	-8.1%	(1,093)	-7.2%
FY 2017 Overpayment ¹	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Basic Exemption	1,627	1,561	-4.1%	1,508	-3.4%	1,468	-2.7%	1,439	-2.0%
Gross Program Costs	1,762	1,764	0.1%	1,705	-3.3%	1,704	-0.1%	1,712	0.5%
Personal Income Tax Credit	(135)	(203)	-50.4%	(197)	3.0%	(236)	-19.8%	(273)	-15.7%
Enhanced (Senior) Exemption	903	849	-6.0%	814	-4.1%	793	-2.6%	778	-1.9%
Gross Program Costs	976	958	-1.8%	921	-3.9%	921	0.0%	925	0.4%
Personal Income Tax Credit	(73)	(109)	-49.3%	(107)	1.8%	(128)	-19.6%	(147)	-14.8%
New York City PIT	55	0	-100.0%	0	0.0%	0	0.0%	0	0.0%
Gross Program Costs	674	626	-7.1%	640	2.2%	656	2.5%	673	2.6%
Program Conversion	(277)	0	100.0%	0	0.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(284)	(626)	-120.4%	(640)	-2.2%	(656)	-2.5%	(673)	-2.6%
FY 2017 Overpayment ¹	(58)	0	100.0%	0	0.0%	0	0.0%	0	0.0%

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

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

Higher Education

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

HIGHER EDUCATION (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	2,826	3,054	8.1%	3,168	3.7%	3,218	1.6%	3,258	1.2%
City University	1,464	1,479	1.0%	1,515	2.4%	1,547	2.1%	1,580	2.1%
Senior Colleges	1,211	1,229	1.5%	1,267	3.1%	1,299	2.5%	1,332	2.5%
Community College	253	250	-1.2%	248	-0.8%	248	0.0%	248	0.0%
Higher Education Services	880	1,107	25.8%	1,184	7.0%	1,202	1.5%	1,209	0.6%
Tuition Assistance Program	757	919	21.4%	967	5.2%	977	1.0%	984	0.7%
Scholarships/Awards	111	176	58.6%	205	16.5%	213	3.9%	213	0.0%
Aid for Part-Time Study	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
State University	482	468	-2.9%	469	0.2%	469	0.0%	469	0.0%
Community College	477	464	-2.7%	465	0.2%	465	0.0%	465	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 with a total enrollment of 404,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 320,000 students. State funds support a significant portion of SUNY and CUNY operations. In addition to the spending reflected in the above table, the State also annually provides more than \$1.0 billion for SUNY state-operated campuses operations through a General Fund transfer and fully supports the fringe benefits costs of SUNY employees at state-operated campuses totaling nearly \$2.0 billion. The State also pays debt service for bond-financed capital projects of the university systems. State debt service payments for capital projects at SUNY and CUNY are estimated at \$1.2 billion in FY 2019, an increase of \$35 million from FY 2018 levels.

HESC is New York State's student financial aid agency and oversees numerous State-funded financial aid programs, including the Excelsior Scholarship, TAP, and 23 other scholarship and loan forgiveness programs. Together, these programs provide financial aid to approximately 400,000 students.

Higher Education spending is projected to increase by \$228 million, or 8.1 percent, from FY 2018 to FY 2019. This change in spending largely reflects the launch of the second phase of the Excelsior Free Tuition Program, State support for the DREAM Act, increased funding for other scholarships, fringe benefit increases at CUNY, and the timing of certain payments during academic year 2018. Along with other sources of tuition assistance, the Excelsior Scholarship will allow approximately 53 percent of full-time SUNY and CUNY in-state students to attend college tuition-free when fully phased in.

Health Care

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

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

Medicaid

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

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

The FY 2019 Executive Budget reflects the continuation of the “Global Cap” through FY 2022, and the projections assume that statutory authority will be extended in subsequent years. Allowable Growth under the cap for medical services is 3.2 percent in FY 2019. Reflecting updated projections for the medical CPI growth, DOB currently forecasts allowable cap growth at 3.1 percent in FY 2020, FY 2021, and FY 2022.

State Financial Plan Projections Fiscal Years 2018 Through 2022

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Global Medicaid Cap¹	18,270	18,863	19,446	20,048	20,667
Annual % Change		3.2%	3.1%	3.1%	3.1%

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

The indexed provisions of the Global Cap apply to a majority of the State share of Medicaid spending that is budgeted and expended principally through DOH. However, the Global Cap is adjusted for State costs associated with the takeover of local Medicaid growth and the multi-year assumption of local Medicaid administration, increased Federal Financial Participation (FFP) pursuant to the ACA that became effective in January 2014, as well as the statewide minimum wage increases authorized in the FY 2017 Enacted Budget. State share Medicaid spending also appears in the 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 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
Department of Health Medicaid	<u>19,328</u>	<u>20,320</u>	<u>21,410</u>	<u>22,245</u>	<u>23,134</u>
Local Assistance	19,107	20,340	21,425	22,296	23,182
State Operations	324	309	312	320	323
MSA Payments (Share of Local Growth) ²	(103)	(329)	(327)	(371)	(371)
Other State Agency Medicaid Spending	<u>4,452</u>	<u>2,864</u>	<u>3,074</u>	<u>3,389</u>	<u>3,614</u>
Mental Hygiene ³	4,316	2,729	2,935	3,247	3,468
Foster Care	86	85	89	92	96
Education	50	50	50	50	50
Total State Share Medicaid (All Agencies)	23,780	23,184	24,484	25,634	26,748
Annual \$ Change		(596)	1,300	1,150	1,114
Annual % Change		-2.5%	5.6%	4.7%	4.3%
Essential Plan⁴	96	102	98	93	87
Local Assistance	0	0	0	0	0
State Operations	96	102	98	93	87

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

² Tobacco MSA proceeds will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

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

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

State Financial Plan Projections Fiscal Years 2018 Through 2022

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

DEPARTMENT OF HEALTH MEDICAID ¹ (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
STATE OPERATING FUNDS	23,876	23,286	-2.5%	24,582	5.6%	25,727	4.7%	26,835	4.3%
Department of Health Medicaid	19,424	20,422	5.1%	21,508	5.3%	22,338	3.9%	23,221	4.0%
General Fund - DOH Medicaid Local	13,361	13,840	3.6%	15,057	8.8%	15,955	6.0%	16,852	5.6%
DOH Medicaid	11,205	10,788	-3.7%	11,501	6.6%	12,171	5.8%	12,804	5.2%
Mental Hygiene - Global Cap Adjustment ²	1,269	1,761	38.8%	1,761	0.0%	1,761	0.0%	1,761	0.0%
Minimum Wage	255	703	175.7%	1,022	45.4%	1,111	8.7%	1,193	7.4%
Local Growth Takeover (Zero Growth Phase-in) ³	735	917	24.8%	1,100	20.0%	1,283	16.6%	1,465	14.2%
MSA Payments (Share of Local Growth) ⁴	(103)	(329)	-219.4%	(327)	0.6%	(371)	-13.5%	(371)	0.0%
General Fund - DOH Medicaid State Ops	324	309	-4.6%	312	1.0%	320	2.6%	323	0.9%
General Fund - Essential Plan	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Other State Funds - DOH Medicaid Local	5,643	6,171	9.4%	6,041	-2.1%	5,970	-1.2%	5,959	-0.2%
HCRA Financing	3,920	4,448	13.5%	4,318	-2.9%	4,247	-1.6%	4,235	-0.3%
Indigent Care Support	892	892	0.0%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	831	831	0.0%	831	0.0%	831	0.0%	832	0.1%
Other State Agency Medicaid Spending ⁷	4,452	2,864	-35.7%	3,074	7.3%	3,389	10.2%	3,614	6.6%
USE OF MSA PAYMENTS (Share of Local Growth) ⁴	103	329	219.4%	327	-0.6%	371	13.5%	371	0.0%
LOCAL SHARE OF MEDICAID ^{5,6}	7,784	7,887	1.3%	7,653	-3.0%	7,598	-0.7%	7,609	0.1%
FEDERAL SHARE OF MEDICAID	40,410	40,865	1.1%	41,833	2.4%	42,342	1.2%	43,454	2.6%
DOH Medicaid	36,736	37,078	0.9%	38,022	2.5%	38,514	1.3%	39,619	2.9%
Essential Plan	3,674	3,787	3.1%	3,811	0.6%	3,828	0.4%	3,835	0.2%
ALL FUNDING SOURCES	72,173	72,367	0.3%	74,395	2.8%	76,038	2.2%	78,269	2.9%

¹ The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.
² The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
³ As of County Year (CY) 2015 the full share of local Medicaid services growth has been financed with State resources.
⁴ MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of local Medicaid growth.
⁵ The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals.
⁶ Fluctuation in the local share of Medicaid is related to certain supplemental payments made by local districts. Local Medicaid services payments are capped at CY 2015 levels.
⁷ The FY 2019 Executive Budget reclassifies all spending from two state special revenue accounts, the Mental Hygiene Program Fund and the Patient Income Account, to the General Fund in order to conform cash basis reporting with GAAP accounting. Effective FY 2019, approximately \$1.4 billion in spending associated with Mental Hygiene agencies' fringe benefits will now be centrally accounted for in the General Fund General State Charges Budget. On a statewide basis, transactions related to the Mental Hygiene reclassification are technical in nature and have no impact on programmatic spending across the Mental Hygiene agencies.

The FY 2019 Executive Budget Financial Plan includes \$425 million in annual savings through the shift of the additional OPWDD related Medicaid expenses to the Global Cap. To achieve savings within the Global Cap necessary to support these additional costs, DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These reforms represent modifications to the Medicaid long-term care program

to ensure access to long-term care services and support for a growing aging population; continued controls on Medicaid pharmaceutical costs; incentives supporting the transition to value-based payment arrangements; additional program integrity efficiencies; the authorization of retail practices; a continuation of transportation reforms with targeted investments; and an expansion of certain Medicaid services, including covered telehealth and community paramedicine.

Total HCRA receipts are forecasted to grow 16 percent in FY 2019 as a result of anticipated health insurer conversion proceeds, the healthcare insurance windfall profit fee and continued growth in health care utilization levels.

The gap-closing plan for FY 2019 anticipates \$500 million in proceeds from conversions or similar transactions to fund health care expenditures that otherwise would be funded by the General Fund. Beginning in FY 2019, the State expects \$750 million in public assets to be deposited annually in HCRA of which \$500 million will be used to support Medicaid costs. The remaining \$250 million will be reserved for a newly established Health Care Shortfall Account to ensure the continued availability and expansion of funding for quality health services to New York State residents, and mitigate risks associated with the loss of Federal health care funds.

With the retirement of the State’s tobacco securitization bonds on June 1, 2017, MSA payments will be used to fund a portion of the non-Federal share of annual Medicaid growth formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but is expected to provide financial relief through lower annual General Fund Medicaid disbursements. The table below displays the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS (millions of dollars)					
	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
State Share Support	23,979	23,615	24,909	26,098	27,206
State Funds Medicaid Disbursements ^{1,2}	23,876	23,286	24,582	25,727	26,835
MSA Payments (Local Growth)	103	329	327	371	371

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

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

The FY 2019 Executive Budget Financial Plan includes additional General Fund support to alleviate costs associated with the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in New York City, and Westchester, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.¹⁹ The impact of these minimum wage initiatives is projected to increase annual Medicaid

¹⁹ Home health care workers in New York City and certain counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels (\$4.09 for New York City; \$3.22 for Westchester, Nassau, and Suffolk counties), resulting in

spending above statutory Global Cap limits by \$703 million in FY 2019; \$1.0 billion in FY 2020; \$1.1 billion in FY 2021; and \$1.2 billion in FY 2022.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among the factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to reach about 6.2 million by the end of FY 2019, a slight increase from FY 2018. This moderate increase is in part driven by an increase in elderly enrollees in the Medicaid program.

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

The current presidential administration has proposed significant cuts to mandatory and discretionary programs in FFY 2018 which are still under consideration by Congress. It is not possible at this time to assess the potential fiscal impact of policies that may be adopted. The Executive Budget continues the provision in the FY 2018 Enacted Budget, allowing for the management of reductions of \$850 million or more in Federal funding for the State's Medicaid program during FY 2019. Management of such reduction levels would occur only through actions within the State's Medicaid program. Furthermore, the Health Care Shortfall Account will include resources to assist in addressing the loss of Federal funds as necessary, subject to a plan developed by the Commissioner of Health and approved by the Director of the Budget.

total compensation which otherwise would have exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

Essential Plan (EP)

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

ESSENTIAL PLAN (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL ALL FUNDS SPENDING	3,770	3,889	3.2%	3,909	0.5%	3,921	0.3%	3,922	0.0%
State Operating Funds	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Local Assistance	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
State Operations	96	102	6.3%	98	-3.9%	93	-5.1%	87	-6.5%
Federal Operating Funds	3,674	3,787	3.1%	3,811	0.6%	3,828	0.4%	3,835	0.2%

FY 2019 EP program spending in the Updated Financial Plan has been revised downward since the FY 2018 Enacted Budget Financial Plan to reflect a mix of factors, including stabilizing enrollment trends. In addition, growth in the marketplace premium index for the Federal reimbursement rate is outpacing growth in the premium index for the State reimbursement rate, thus contributing to the anticipation of a greater share of base program expenses being funded from Federal resources. The change in the premium index will eliminate EP program costs for the State, allowing for the local assistance program to be fully Federally financed.

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

The current presidential administration has proposed significant cuts to mandatory and discretionary programs in FFYs 2018 and 2019 which are still under consideration by Congress, including fully eliminating the Essential Plan. In FY 2018, the President took unilateral Executive action to withhold Cost Sharing Reduction (CSR) payments, putting low-cost health insurance coverage for income eligible recipients at risk. Despite the Federal withholding of CSR payments, which amount to 25 percent of the Federal funding for the EP, the Executive Budget continues to support the EP program. In order to offset this loss of funding, the State will utilize EP Medical Loss Ratio (MLR) remittances, reduce reimbursement rates to plans, and accelerate trust fund monies to maximize Federal benefits.

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

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	1,634	1,569	-4.0%	1,743	11.1%	1,858	6.6%	1,868	0.5%
Public Health	1,511	1,449	-4.1%	1,618	11.7%	1,728	6.8%	1,732	0.2%
Child Health Plus	256	297	16.0%	414	39.4%	539	30.2%	539	0.0%
General Public Health Work	195	155	-20.5%	204	31.6%	208	2.0%	212	1.9%
EPIC	126	125	-0.8%	131	4.8%	128	-2.3%	128	0.0%
Early Intervention	175	170	-2.9%	161	-5.3%	153	-5.0%	153	0.0%
HCRA Program	387	337	-12.9%	362	7.4%	352	-2.8%	352	0.0%
All Other	372	365	-1.9%	346	-5.2%	348	0.6%	348	0.0%
Aging	123	120	-2.4%	125	4.2%	130	4.0%	136	4.6%

The FY 2019 Executive Budget Financial Plan includes an initiative to consolidate 30 public health appropriations that are duplicative and supported by four different funding pools into the General Fund. This consolidation will provide DOH with the flexibility to address emerging threats to public health while achieving a 20 percent spending reduction. Currently, DOH separately administers multiple public health awareness and prevention programs for a variety of priorities, including disease prevention, maternal and child health, public health workforce support, and programs that serve the health care needs of individuals. These programs range in size, have different contract periods, and allow for limited coordination to address public health needs or improve health outcomes.

The FY 2019 Executive Budget Financial Plan reflects the proposal to discontinue cost of living payments to certain DOH providers. This action will result in savings of \$19.9 million in FY 2019 and \$45.4 million in FY 2020. The Executive Budget also includes a proposal to reform the EI program by better defining health insurer requirements and streamlining the evaluation process, which is projected to result in State savings of \$3.2 million in FY 2019 and \$11.9 million in FY 2020 and will provide fiscal relief to counties without impacting service levels. Reforms include decreasing the time from referral to the provision of services for children referred to EI with a previously diagnosed condition, maximizing appeals of insurer payment denials, requiring insurers to consider the Individual Family Service Plan when conducting medical necessity reviews, and increasing provider rates. Partially dedicated funding related to Roswell Park Cancer Institute will now be supported by Capital funding.

The Updated Financial Plan reflects SOFA savings realized by eliminating the planned 1.9 percent increase in the Human Services Cost of Living increase, resulting in \$4 million in annual savings for FY 2019 through FY 2022.

HCRA Financial Plan

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

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

State Financial Plan Projections
Fiscal Years 2018 Through 2022

HCRA FINANCIAL PLAN FY 2018 THROUGH FY 2022					
(millions of dollars)					
	FY 2018 Current	FY 2019 Proposed	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
OPENING BALANCE	12	0	250	500	750
TOTAL RECEIPTS	5,762	6,676	6,697	6,669	6,637
Surcharges	3,311	3,369	3,428	3,496	3,496
Covered Lives Assessment	1,110	1,110	1,110	1,045	1,045
Cigarette Tax Revenue	837	806	771	739	707
Hospital Assessments	424	424	424	424	424
Conversion Proceeds/HCRA Shortfall	0	750	750	750	750
Healthcare Insurance Windfall Profit Fee	0	140	140	140	140
NYC Cigarette Tax Transfer/Other	80	77	74	75	75
TOTAL DISBURSEMENTS AND TRANSFERS	5,774	6,426	6,447	6,419	6,387
Medicaid Assistance Account ¹	3,920	4,448	4,318	4,247	4,235
Medicaid Costs	3,723	4,251	4,121	4,050	4,038
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	892	892	892	892	892
HCRA Program Account	395	345	370	360	360
Child Health Plus	261	308	430	558	556
Elderly Pharmaceutical Insurance Coverage	137	136	142	140	139
NYSOH Health Benefit Exchange	0	63	60	59	57
SHIN-NY/APCD	17	40	40	0	0
All Other	152	194	195	163	148
ANNUAL OPERATING SURPLUS/(DEFICIT)	(12)	250	250	250	250
CLOSING BALANCE	0	250	500	750	1,000

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

Total HCRA receipts are forecasted to grow 16 percent in FY 2019 as a result of anticipated health insurer conversion proceeds, the healthcare insurance windfall profit fee, and continued growth in health care utilization levels. Annual growth beyond FY 2020 plateaus with the expiration of the extension of the covered lives reconciliation suspension, where revenue collection will revert to the statutorily set levels in FY 2021. Similarly, declines for cigarette tax collections, which are attributable to lower taxable consumption, amplify the downward trend in HCRA receipts in the outyears.

The gap-closing plan for FY 2019 anticipates \$500 million in proceeds from conversions or similar transactions to fund health care expenditures that otherwise would be funded by the General Fund. Beginning in FY 2019, the State expects \$750 million in public assets to be deposited annually in HCRA, of which \$500 million will be used to support Medicaid costs. The remaining \$250 million will be reserved for a newly established Health Care Shortfall Account to ensure the continued availability and expansion of funding for quality health services to New York State residents, and mitigate risks associated with the loss of Federal health care funds.

The Executive Budget also proposes establishing a healthcare insurance windfall profit fee. The Federal tax plan gives health care companies a 40 percent tax cut while also transferring health care costs to the State. The Executive Budget imposes a 14 percent surcharge on health insurer gains to capture \$140 million of those corporate tax savings and reinvest it in vital health care services for New Yorkers.

DOH's proposal to consolidate certain public health programs results in the shift of approximately \$28 million of HCRA-funded programs to the General Fund, which will then be combined with other existing public health programs to generate net savings of \$9 million annually through the creation of more flexible and efficient health care funding access. Additionally, \$15 million in funding for the Roswell Park Cancer Institute will be shifted into the Capital Projects Fund. Funding for the QHP portion of the NYSOH health benefit exchange will shift to HCRA from the Medicaid budget.

The Executive Budget Financial Plan reflects a proposal to generate savings of \$7 million annually by eliminating the Empire Clinical Research Investigator Program (ECRIP), which does not fund direct services. The savings are offset by increased support for Stem Cell awards of \$7 million in FY 2019.

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

Mental Hygiene

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

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

MENTAL HYGIENE (millions of dollars)									
	FY 2018	FY 2019		FY 2020		FY 2021		FY 2022	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,372	2,173	-8.4%	2,524	16.2%	2,862	13.4%	3,143	9.8%
People with Developmental Disabilities	2,120	2,271	7.1%	2,438	7.4%	2,683	10.0%	2,876	7.2%
Residential Services	1,364	1,453	6.5%	1,548	6.5%	1,694	9.4%	1,814	7.1%
Day Programs	566	604	6.7%	643	6.5%	704	9.5%	753	7.0%
Clinic	24	26	8.3%	28	7.7%	30	7.1%	32	6.7%
All Other Services (Net)	166	188	13.3%	219	16.5%	255	16.4%	277	8.6%
Mental Health	1,194	1,318	10.4%	1,471	11.6%	1,549	5.3%	1,624	4.8%
Adult Local Services	952	1,051	10.4%	1,179	12.2%	1,245	5.6%	1,307	5.0%
Children Local Services	242	267	10.3%	292	9.4%	304	4.1%	317	4.3%
Alcohol and Substance Abuse	326	344	5.5%	375	9.0%	390	4.0%	403	3.3%
Outpatient/Methadone	125	131	4.8%	144	9.9%	150	4.2%	154	2.7%
Residential	130	139	6.9%	152	9.4%	159	4.6%	166	4.4%
Prevention and Program Support	62	66	6.5%	71	7.6%	74	4.2%	77	4.1%
Crisis	9	8	-11.1%	8	0.0%	7	-12.5%	6	-14.3%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
SUBTOTAL BEFORE ADJUSTMENTS	3,641	3,934	8.0%	4,285	8.9%	4,623	7.9%	4,904	6.1%
Global Cap Adjustment	(1,269)	(1,761)	-38.8%	(1,761)	0.0%	(1,761)	0.0%	(1,761)	0.0%

Local assistance accounts for approximately 45 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 7.3 percent annually. The main factors driving this level of growth are expansions of community mental health services; enhancements in community-based employment and residential opportunities for individuals with

disabilities; and new or increased funding for not-for-profit providers for growth in employee wages related to minimum wage increases.

The FY 2019 Executive Budget Financial Plan includes approximately \$293 million in increased local assistance funding for the mental hygiene agencies. The 8.0 percent increase is largely related to \$132 million to support the 6.5 percent increase for direct care professionals and 3.25 percent for clinical staff employed by not-for-profit organizations delivering services on behalf of OPWDD, OMH and OASAS, and \$44 million to support the minimum wage and related fringe benefit increases associated with the movement to a \$15 an hour living wage. Other increases include community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system, and funding in OASAS to address the heroin and opioid crisis.

In addition to investments in salaries for the not-for-profit workforce, there is a \$60 million annualized State-share investment in new OPWDD program services. Partly offsetting the cost of these investments are savings associated with ongoing service delivery transformation and efforts to ensure the efficient use of State resources.

The FY 2019 Executive Budget Financial Plan reflects the continued expansion of community-based services and provides \$10 million in enhanced support for existing OMH housing programs. The Executive Budget Financial Plan also reflects continued support for OASAS program expansion begun in FY 2018 to address the opioid crisis. These include increased Residential Treatment capacity, expansion of outpatient Opioid Treatment Programs, Family Support Navigators, Certified Peer Recovery Advocates, and other evidence-based programs.

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap, as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

Social Services

Office of Temporary and Disability Assistance (OTDA)

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

TEMPORARY AND DISABILITY ASSISTANCE (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	1,249	1,278	2.3%	1,355	6.0%	1,358	0.2%	1,362	0.3%
SSI	658	661	0.5%	663	0.3%	667	0.6%	667	0.0%
Public Assistance Benefits	476	505	6.1%	545	7.9%	541	-0.7%	541	0.0%
Public Assistance Initiatives	16	9	-43.8%	33	266.7%	33	0.0%	33	0.0%
All Other	99	103	4.0%	114	10.7%	117	2.6%	121	3.4%

DOB's caseload models project a total of 543,894 public assistance recipients in FY 2019. Approximately 214,749 families are expected to receive benefits through the Family Assistance program in FY 2019, a decrease of 1.4 percent from FY 2018. The Safety Net caseload for families is projected at 119,575 in FY 2019, a decrease of 1.1 percent from FY 2018. The caseload for single adults/childless couples supported through the Safety Net program is projected at 209,570 in FY 2019, an increase of 1.3 percent from FY 2018.

SSI spending is projected to increase gradually over the course of the multi-year Updated Financial Plan as caseload is expected to grow. Public assistance benefits will increase in FY 2019 and FY 2020 due to a variety of factors including the expansion of NYC HASA benefits to public assistance recipients living in NYC and increased costs associated with litigation proceedings that will increase Safety Net Assistance expenditures. Other spending growth includes increased spending on homeless services and prevention and a new program to prevent unaccompanied refugee children from joining the MS-13 gang on Long Island. Growth is expected to be more gradual in the outyears.

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES (millions of dollars)									
	FY 2018	FY 2019		FY 2020		FY 2021		FY 2022	
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,652	1,606	-2.8%	1,660	3.4%	1,683	1.4%	1,718	2.1%
Child Welfare Service	472	465	-1.5%	474	1.9%	484	2.1%	484	0.0%
Foster Care Block Grant	384	384	0.0%	393	2.3%	403	2.5%	414	2.7%
Adoption	149	148	-0.7%	148	0.0%	149	0.7%	149	0.0%
Day Care	253	269	6.3%	270	0.4%	271	0.4%	271	0.0%
Youth Programs	147	111	-24.5%	124	11.7%	117	-5.6%	117	0.0%
Medicaid	86	85	-1.2%	89	4.7%	93	4.5%	97	4.3%
Committees on Special Education	26	22	-15.4%	24	9.1%	25	4.2%	27	8.0%
Adult Protective/Domestic Violence	43	45	4.7%	48	6.7%	51	6.3%	54	5.9%
All Other	92	77	-16.3%	90	16.9%	90	0.0%	105	16.7%

OCFS State Operating Funds spending is projected to decrease from FY 2018 to FY 2019 due to the impact of several factors including capping the 62 percent State share of child welfare reimbursement to NYC at the estimated FY 2018 level; allowing the expiration of provisions authorizing State reimbursement to NYC for Close to Home costs which provide juvenile justice services to NYC youth adjudicated in the court system as juvenile delinquents; and the planned elimination of the human services Cost of Living Adjustment (COLA) in FY 2019. Such decreases are partially offset by increasing the funding for child care subsidies back to FY 2017 levels.

Increased spending in the out years is primarily due to implementation of the “Raise the Age” initiative, which will increase the age of criminal responsibility from 16 to 18, and planned spending increases consistent with anticipated program growth. These increases are partly offset by a reduction in the costs attributable to the Pay for Success program based upon program participation and spending to date.

Transportation

In FY 2019, the State expects to provide almost \$5.4 billion in operating aid to mass transit systems, including over \$1.4 billion in off-budget aid to the MTA (not included in the table below). This aid is funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of the mass transit aid - totaling \$4.8 billion in FY 2019.

The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). Currently, the State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION (millions of dollars)									
	FY 2018	FY 2019	FY 2020		FY 2021		FY 2022		Change
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	
STATE OPERATING FUNDS SUPPORT	5,026	3,962	-21.2%	3,653	-7.8%	3,702	1.3%	3,834	3.6%
Mass Transit Operating Aid:	<u>2,284</u>	<u>2,324</u>	<u>1.8%</u>	<u>2,326</u>	<u>0.1%</u>	<u>2,326</u>	<u>0.0%</u>	<u>2,326</u>	<u>0.0%</u>
Metro Mass Transit Aid	2,154	2,188	1.6%	2,190	0.1%	2,190	0.0%	2,190	0.0%
Public Transit Aid	86	92	7.0%	92	0.0%	92	0.0%	92	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax	1,699	402	-76.3%	267	-33.6%	268	0.4%	268	0.0%
MTA Aid Trust	298	302	1.3%	307	1.7%	305	-0.7%	307	0.7%
Dedicated Mass Transit	673	683	1.5%	696	1.9%	746	7.2%	876	17.4%
AMTAP	70	251	258.6%	57	-77.3%	57	0.0%	57	0.0%
All Other	2	0	-100.0%	0	0.0%	0	0.0%	0	0.0%

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

The Executive Budget includes legislation directing the Mobility Tax collections to be remitted directly to the MTA. This will eliminate the pass through of this tax and ensure more timely receipt by the MTA, which provides a one-time benefit of \$60 million for the MTA. Beginning in FY 2019, the Updated Financial Plan will no longer include new tax receipts or their associated local assistance payments. Combining on-budget (\$402 million) and off-budget (\$1.4 billion) spending, the MTA will receive over \$1.8 billion of Mobility Tax resources in FY 2019.

In addition, the Executive Budget Financial Plan includes General Fund support for the MTA's operating budget, providing \$194 million, which in combination with the \$60 million noted above will fund 50 percent of the MTA Subway Action Plan's immediate operating need.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)									
	FY 2018	FY 2019	FY 2020		FY 2021		FY 2022		Change
	Current	Proposed	Change	Projected	Change	Projected	Change	Projected	
TOTAL STATE OPERATING FUNDS	722	724	0.3%	763	5.4%	763	0.0%	763	0.0%
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	7	9	28.6%	48	433.3%	48	0.0%	48	0.0%

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2018 to FY 2019, due to revisions in the timing of spending. Additional increases in the outyears reflect potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

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

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

State Financial Plan Projections Fiscal Years 2018 Through 2022

The following table presents information on salary base and employee benefits that affect spending projections for agency operations.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2018 Current	Forecast			
		FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
		Negotiated Base Salary Increases ¹			
CSEA/DC-37 (Rent Regulation Unit)	2%	2%	2%	2%	TBD
PEF/GSEU/MC	2%	2%	TBD	TBD	TBD
NYSPPA/NYSPIA ²	1.5%	TBD	TBD	TBD	TBD
Council 82/UUP/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
State Workforce ³	118,512	118,705	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization ⁴	16.2%	15.7%	15.9%	17.2%	18.6%
After Amortization ⁵	20.0%	19.4%	19.6%	20.8%	21.8%
PFRS Contribution Rate					
Before Amortization ⁴	25.1%	24.1%	24.0%	25.1%	26.2%
After Amortization ⁵	28.1%	26.9%	27.4%	28.4%	29.4%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.9%	6.9%	6.6%	6.6%
PS/Fringe as % of Receipts (All Funds Basis)	13.1%	13.8%	14.0%	14.6%	14.4%

¹ Reflects current collective bargaining agreements with settled unions. Does not reflect potential impact of future negotiated labor agreements.
² Contracts contain "reopener" language which allows these unions to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent in FY 2017 and in FY 2018.
³ Reflects workforce that is subject to direct Executive control.
⁴ Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.
⁵ After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to increase over the Updated Financial Plan period, from \$18.7 billion in FY 2018 to \$20.4 billion in FY 2022. Most executive agencies are expected to hold spending at FY 2018 levels. Increases in the outyears of the Updated Financial Plan are driven mainly by juvenile justice reform, anticipated labor agreements, growing SUNY operating costs, and an additional administrative payroll in FY 2021 due to the payroll calendar.

State Financial Plan Projections Fiscal Years 2018 Through 2022

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS					
(millions of dollars)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Current	Proposed	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	9,981	10,061	10,310	10,674	10,671
Mental Hygiene	2,801	2,710	2,754	2,828	2,862
Corrections and Community Supervision	2,617	2,604	2,618	2,623	2,615
State Police	714	695	690	715	730
Information Technology Services ¹	536	545	538	544	550
Public Health	369	456	451	456	449
Transportation	62	60	61	61	60
Tax and Finance	273	248	248	257	248
Medicaid Admin/EP	420	411	411	414	410
Children and Family Services	244	283	368	435	438
Environmental Conservation	211	200	201	214	207
Financial Services	207	209	213	219	213
Parks, Recreation and Historic Preservation	167	170	171	178	173
General Services	144	136	131	130	129
Workers' Compensation Board	142	143	145	151	146
Temporary and Disability Assistance	126	127	133	138	140
Gaming	111	81	81	82	81
Potential and Settled Labor Agreements ²	495	650	765	880	880
Agency Financial Management Plan	(500)	(500)	(500)	(500)	(500)
All Other	842	833	831	849	840
DOT/DMV Operations Reclassification	0	282	332	337	343
UNIVERSITY SYSTEMS	6,138	6,354	6,332	6,639	6,665
State University	6,031	6,278	6,259	6,564	6,591
City University	107	76	73	75	74
INDEPENDENT AGENCIES	324	333	323	337	325
Law	175	179	176	184	177
Audit & Control (OSC)	149	154	147	153	148
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	16,443	17,030	17,297	17,987	18,004
Judiciary	2,066	2,119	2,121	2,178	2,121
Legislature	226	230	234	239	244
Statewide Total	18,735	19,379	19,652	20,404	20,369
Personal Service	13,026	13,429	13,781	14,474	14,375
Non-Personal Service	5,709	5,950	5,871	5,930	5,994

¹ Reflects consolidation of IT costs from other agencies within ITS, which does not change total governmental spending.
² Includes the estimated potential and settled cost for executive agencies and excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **Mental Hygiene.** As a result of the Mental Hygiene Fund reclassification, spending will decline due to the elimination of indirect costs previously charged to the Special Revenue

Fund. Additional savings are achieved through attrition and other management efficiencies.

- **State Police.** The modest decline in spending reflects the reclassification of certain personal service spending, offset by a new class of 225 recruits in July 2017 and added resources to combat MS-13 gang activities.
- **Public Health.** Increased spending starting in FY 2019 is mainly attributable to shifting the Qualified Health Plan (QHP) component of NYSOH administrative costs out of the Global Medicaid Cap into HCRA, as well as additional funding to support Stem Cell research.
- **Transportation.** Reflects the reclassification of certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities from the Dedicated Highway and Bridge Trust Fund to the General Fund.
- **Tax and Finance.** The Executive Budget has proposed to achieve savings through a modification to the accounting treatment which more appropriately matches spending and the associated reimbursement whereby revenue collected from tax billings will be treated as an offset to State spending.
- **Children and Family Services.** Increases reflect additional funding in OCFS to support raising the age of criminal responsibility from 16 to 18 by October 1, 2019.
- **Gaming.** Decreases reflect a change in the accounting structure related to advertising costs, so that direct payments are made to the vendors from a third party instead of through the Gaming Commission.
- **State University.** SUNY spending reflects anticipated operating needs at SUNY campuses and affiliated hospitals, which are cumulatively supported by campus revenues, hospital revenues and State funding.
- **CUNY.** The Executive Budget shifts certain CUNY state operations costs supported by New York City from a Special Revenue Fund to a Fiduciary Fund, consistent with the accounting treatment of similar charges.
- **Judiciary.** The Updated Financial Plan includes additional funding for collective bargaining agreements settled in FY 2018 with all 12 unions represented within its workforce.
- **Potential and Settled Labor Agreements.** Spending reflects negotiated settlement agreements with PEF, which have been extended to unrepresented M/C employees, the five-year settlement with CSEA, DC-37 (Rent Regulation Unit), and parity, with remaining unsettled unions assumed to follow the PEF model.
- **Agency Financial Management Plans.** All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018.

Workforce

In FY 2019, \$13.4 billion or 13.4 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 97,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (46,038) and Independent Agencies (18,184); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in the mental hygiene agencies and Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS		
FY 2019 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	Dollars	FTEs
Subject to Direct Executive Control	7,440	97,339
Mental Hygiene Agencies	2,256	32,278
Corrections and Community Supervision	2,043	27,238
State Police	633	5,666
Information Technology Services	287	3,402
Health	281	3,974
Tax and Finance	215	3,978
Transportation and Motor Vehicles	207	3,256
Environmental Conservation	168	2,124
Children and Family Services	187	2,348
Financial Services	157	1,382
Parks, Recreation and Historic Preservation	131	1,305
Education	88	1,263
Workers' Compensation Board	85	1,110
Temporary and Disability Assistance	69	1,033
General Services	48	815
All Other	585	6,167
University Systems	3,910	46,038
State University	3,872	45,655
City University ²	38	383
Independent Agencies	2,079	18,184
Law	126	1,583
Audit & Control (OSC)	123	1,527
Judiciary	1,654	15,073
Legislature ³	176	1
Total	13,429	161,561

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

² CUNY employees are funded primarily through an agency trust fund that supports an additional 13,166 FTEs, which are excluded from this table.

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

General State Charges

The State provides a variety of fringe benefits to its current and former employees, including health insurance, pensions, the Social Security payroll tax, workers' compensation coverage, unemployment insurance, survivors' benefits, and dental and vision benefits (some of which are provided through union-specific Employee Benefit Funds). General State Charges also pays for certain statewide fixed costs, including taxes on State-owned lands, payments in lieu of taxes (City of Albany) and judgments / settlements in the Court of Claims. The majority of these payments are mandated by statute or collective bargaining agreements.

Employee fringe benefits paid through GSCs are financed from the General Fund in the first instance, and then partially reimbursed by revenue collected from agency fringe benefit assessments. Commencing in FY 2019, there are two fund reclassifications that will impact fringe benefit collections from other agencies. These changes have no impact on a State operating funds basis, and are financial plan neutral. First, the mental hygiene spending in the Mental Hygiene Program Fund and the Patient Income Fund (\$1.4 billion) will be accounted for in the General Fund. Similarly, Department of Transportation (DOT) and Department of Motor Vehicles (DMV) spending related to snow and ice removal, bus, truck and rail inspection and regulatory activities in the Dedicated Highway and Bridge Trust Fund will be accounted for in the General Fund (\$107 million).

GSC spending is projected to increase at an average annual rate of 6.4 percent over the multi-year Updated Financial Plan period (\$560 million) and by 7.2 percent in FY 2019 (\$572 million). This growth is primarily attributable to the health insurance and workers' compensation programs, offset by relatively stable spending for pensions and social security, and reductions in other fringe benefits and fixed costs.

Growth in the health insurance program of \$314 million (7.9 percent) is reflective of medical inflation at current enrollment levels. Workers' compensation costs are increasing by \$150 million due to underlying growth in the average weekly wage used in benefit calculations and medical costs (\$45 million / 8.5 percent), as well as a reduction in the use of offsetting reserve funds (\$105 million). Overall pension costs are projected to remain relatively stable due to improved investment returns and ongoing savings from the Tier 5 and Tier 6 pension reforms. Social Security spending is also relatively stable due to steady workforce levels.

State Financial Plan Projections
Fiscal Years 2018 Through 2022

GENERAL STATE CHARGES (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
TOTAL STATE OPERATING FUNDS	7,976	8,549	7.2%	9,120	6.7%	9,697	6.3%	10,219	5.4%
Fringe Benefits	7,531	8,110	7.7%	8,675	7.0%	9,247	6.6%	9,763	5.6%
Health Insurance	3,968	4,283	7.9%	4,579	6.9%	4,882	6.6%	5,207	6.7%
Pensions	2,461	2,469	0.3%	2,590	4.9%	2,753	6.3%	2,918	6.0%
Social Security	1,028	1,030	0.2%	1,040	1.0%	1,050	1.0%	1,050	0.0%
Workers' Compensation	326	476	46.0%	591	24.2%	681	15.2%	752	10.4%
Employee Benefits	92	98	6.5%	103	5.1%	108	4.9%	101	-6.5%
Dental Insurance	65	61	-6.2%	64	4.9%	65	1.6%	66	1.5%
Unemployment Insurance	12	12	0.0%	12	0.0%	12	0.0%	12	0.0%
All Other	2,400	1,018	-57.6%	1,057	3.8%	1,127	6.6%	1,142	1.3%
Non-State Escrow	(2,821)	(1,337)	52.6%	(1,361)	-1.8%	(1,431)	-5.1%	(1,485)	-3.8%
Fixed Costs	445	439	-1.3%	445	1.4%	450	1.1%	456	1.3%
Public Land Taxes/PILOTS	258	263	1.9%	269	2.3%	275	2.2%	281	2.2%
Litigation	187	176	-5.9%	176	0.0%	175	-0.6%	175	0.0%

Growth in GSC spending in FY 2019 has been partly offset by gap-closing savings of approximately \$71 million included in the Executive Budget Financial Plan.

The savings primarily consist of \$62 million in pension interest savings achieved by paying the majority of the State pension bill in April 2018, rather than on a monthly basis as previously assumed. Over the multi-year Updated Financial Plan period, outyear pension costs reflect expected investment performance, projected growth in salary base, and assumptions about future normal and administrative costs. Pension costs also reflect repayment of prior-year amortization, costs for Chapter 41 of 2016 (veteran's pension credit legislation), and other adjustments.

NYSHIP costs have increased by approximately 12 percent over the past three fiscal years -- from \$3.06 billion in FY 2015 to \$3.43 billion in FY 2017. The Executive Budget includes two proposals to help restrain this growth.

The first proposal would eliminate the taxpayer subsidy for high-income state retirees who pay Medicare Part B Income Related Adjustment Amounts (IRMAA). This regressive subsidy, which provides retirees with earnings over \$85,000 per year greater State taxpayer subsidies than lower income retirees, would be eliminated effective January 1, 2018. The reimbursement of these costs, which were originally intended by the Federal government as a means for wealthier retirees to pay a fair share of Medicare costs, would no longer be provided in Calendar Year (CY) 2019. Eliminating this subsidy will save taxpayers \$11 million annually (\$2.7 million in FY 2019 due to the lag in reimbursement).

The second proposal would establish a floor for state reimbursement of the Medicare Part B standard premium. In CY 2017, New York taxpayers reimbursed the standard premium for new and existing retirees at amounts ranging from \$109 to \$134 monthly. The cost of this reimbursement increased from \$194 million in CY 2017 to \$242 million in CY 2018, an increase of \$48 million. This proposal establishes State reimbursement at an amount of up to \$134 per month, consistent with CY 2018 Federal program costs. Any future increases in reimbursement above this level would be subject to the annual budget process. This proposal is cost neutral in FY 2019, but saves \$11 million on a full annual basis if subsequent budgets do not authorize funding increases.

The Executive Budget also proposes to establish interest rates paid on court judgements by public and private entities at a variable market-based interest rate equal to the average one-year constant maturity treasury yield. This is the same rate utilized by the Federal court system. The current fixed rate of as much as 9 percent annually was established in 1982, when interest rates were at 12 percent, to avoid unnecessary taxpayer costs. Payment of a prevailing market rate will help ensure that neither side in a lawsuit will be disadvantaged by an interest rate that is above or below what otherwise could be earned while cases are being adjudicated. It will provide mandate relief for local governments and lower State taxpayer costs by \$6 million.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance the State's share of Medicaid costs for mental hygiene facilities (FY 2018 only), debt service for bonds that do not have dedicated revenues, SUNY operating costs, certain capital initiatives, and a range of other activities.

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)					
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	Current	Proposed	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	9,680	6,185	6,525	6,445	6,134
State Share of Mental Hygiene Medicaid ¹	1,314	0	0	0	0
Debt Service	1,037	837	969	1,029	908
SUNY University Operations	1,022	1,021	1,020	1,021	1,021
Capital Projects	2,004	3,246	3,433	3,213	2,882
Dedicated Highway and Bridge Trust Fund	664	193	451	501	359
Dedicated Infrastructure Investment Fund	1,243	1,605	1,200	1,075	544
FY 2017 Temporary Loan to Capital Projects Fund ²	(1,300)	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund ²	500	(500)	0	0	0
Transfer to DIIF for Javits Expansion	160	350	320	170	0
Bond Proceeds Receipts for Javits Expansion	0	0	(500)	(500)	0
Mass Transit Capital from Settlements	85	0	0	0	0
Statewide Health Care Capital from Settlements	7	71	70	80	75
Environmental Protection Fund	28	28	28	28	28
All Other Capital	617	1,499	1,864	1,859	1,876
ALL OTHER TRANSFERS	4,303	1,081	1,103	1,182	1,323
Mental Hygiene ¹	3,211	0	0	0	0
Department of Transportation (MTA Payroll Tax)	269	269	269	270	270
SUNY - Medicaid Reimbursement	232	243	243	243	243
Judiciary Funds	106	110	109	110	110
SUNY - Hospital Operations	79	0	0	0	0
Dedicated Mass Transportation Trust Fund	65	65	65	116	256
Banking Services	53	53	53	53	53
Indigent Legal Services	35	35	58	82	82
Mass Transportation Operating Assistance	21	21	21	21	21
Public Transportation Systems	16	16	16	16	16
Correctional Industries	12	21	21	21	21
Spinal Cord Injury	9	9	9	9	9
Medical Marijuana Fund	5	7	5	7	7
SUNY - General Income Fund Reimbursable Account	14	0	0	0	0
All Other	176	232	234	234	235

¹ The Mental Hygiene Program Fund and the Patient Income Fund will be transitioned to the General Fund beginning in FY 2019; thus the General Fund transfers will no longer be necessary.

² Represents the temporary use of Extraordinary Monetary Settlement fund balances to pay for capital projects in the first instance. These advances will be repaid in the following year when the State reimburses the capital spending from bond proceeds.

A significant portion of the capital and operating expenses of DOT and DMV are funded from DHBTF, which receives various dedicated tax and fee revenues, including statutory allocations of PBT, motor fuel tax, and HUT. The Updated Financial Plan includes transfers from the General Fund that effectively subsidize DHBTF expenses as the cumulative expenses of the fund (DOT and DMV capital and operating expenses, and certain debt service on transportation bonds) exceed current and projected revenue deposits and bond proceeds. This transfer is significantly reduced in FY 2019 and beyond as certain DOT and DMV operating costs related to snow and ice removal; bus, truck and rail inspection; and DMV regulatory activities have been reclassified from the Dedicated Highway and Bridge Trust Fund to the General Fund.

General Fund transfers to other funds are expected to total \$6.2 billion in FY 2019, a \$3.5 billion decrease from FY 2018. The change is primarily driven by the consolidation of certain Mental Hygiene Special Revenue Funds into the General Fund, eliminating the General Fund transfers for mental hygiene activity augmented by an increase in transfers appropriated from DIIF and the Capital Projects Fund in FY 2019, including temporary loans and planned repayment of funds related to debt management actions (\$837 million).

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)									
	FY 2018 Current	FY 2019 Proposed	Change	FY 2020 Projected	Change	FY 2021 Projected	Change	FY 2022 Projected	Change
General Fund	1,037	837	-19.3%	969	15.8%	1,029	6.2%	908	-11.8%
Other State Support	4,584	4,799	4.7%	6,000	25.0%	6,157	2.6%	6,184	0.4%
State Operating/All Funds Total	5,621	5,636	0.3%	6,969	23.7%	7,186	3.1%	7,092	-1.3%

Total State Operating/All Funds debt service is projected at \$5.6 billion in FY 2019, of which approximately \$837 million is paid from the General Fund via transfers, and \$4.8 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTF bonds, and mental health facilities bonds.

The Updated Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, refunding savings, and the adjustment of debt issuances to align with projected bond-financed capital spending. Debt service spending estimates also reflect the prepayment in FY 2018 of \$340 million in debt service costs due in FY 2019.



GAAP-Basis Results for Prior Fiscal Years

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GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by the GASB. The Basic Financial Statements and Other Supplementary Information, released in July each year, include a management discussion and analysis (MD&A); the Statements of Net Position and Activities; the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds; the Statements of Net Position, Revenues, Expenses and Changes in Fund Net Position and Cash Flows for the Enterprise Funds; the Statements of Fiduciary Net Position and Changes in Fiduciary Net Position; the Combining Statements of Net Position and Activities for Discretely Presented Component Units; required Supplementary Information (unaudited) and Other Supplementary Information which includes individual fund combining statements. These statements are audited by independent certified public accountants. The State issued the Basic Financial Statements for FY 2017 on July 28, 2017. The Comptroller also prepares and issues a Comprehensive Annual Financial Report (CAFR), which, in addition to the components referenced to above, also includes an introductory section and a statistical section. The CAFR for the fiscal year ended March 31, 2017 was issued on September 1, 2017.

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	Accumulated General Fund Surplus/(Deficit)
March 31, 2017	(2,788)	188	(599)	(153)	(3,352)	2,286
March 31, 2016	(978)	460	754	172	408	5,074
March 31, 2015	6,619	356	(697)	181	6,459	6,052

SUMMARY OF NET POSITION (millions of dollars)			
Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2017	28,580	332	28,912
March 31, 2016	32,539	225	32,764
March 31, 2015	32,554	771	33,325

The CAFR for the fiscal year ended March 31, 2017 and CAFRs related to prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the Office of the State Comptroller's website at www.osc.state.ny.us. The Basic Financial Statements can also be accessed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system website at www.emma.msrb.org.

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Authorities and Localities

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Authorities and Localities

Public Authorities

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

The State has numerous public authorities with various responsibilities, including those which finance, construct and/or operate revenue-producing public facilities. These entities generally pay their own operating expenses and debt service costs on their notes, bonds or other legislatively authorized financing structures from revenues generated by the projects they finance or operate, such as tolls charged for the use of highways, bridges or tunnels; charges for public power, electric and gas utility services; tuition and fees; rentals charged for housing units; and charges for occupancy at medical care facilities. Since the State has no actual or contingent liability for the payment of this type of public authority indebtedness, it is not classified as either State-supported debt or State-related debt. Some public authorities, however, receive monies from State appropriations to pay for the operating costs of certain programs.

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

As of December 31, 2016, (with respect to Job Development Authority or “JDA” as of March 31, 2017), each of the 18 authorities listed in the following table had outstanding debt of \$100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately \$184 billion, only a portion of which constitutes State-supported or State-related debt. Note that the outstanding debt information contained in the following table is the most current information provided by OSC from data submitted by the 18 authorities in the following table at the time of this AIS Update.

OUTSTANDING DEBT OF CERTAIN AUTHORITIES⁽¹⁾			
AS OF DECEMBER 31, 2016⁽²⁾			
(millions of dollars)			
Authority	State- Related Debt	Authority and Conduit	Total
Dormitory Authority	28,927	19,837	48,764
Metropolitan Transportation Authority	145	28,223	28,368
Port Authority of NY & NJ	0	24,521	24,521
Housing Finance Agency	346	15,239	15,585
UDC/ESD	12,222	1,252	13,474
Job Development Authority ⁽²⁾	3	10,275	10,278
Thruway Authority	4,491	5,674	10,165
Triborough Bridge and Tunnel Authority	0	8,337	8,337
Long Island Power Authority ⁽³⁾	0	7,451	7,451
Environmental Facilities Corporation	114	5,824	5,938
Energy Research and Development Authority	0	2,830	2,830
State of New York Mortgage Agency	0	2,600	2,600
Local Government Assistance Corporation	1,758	0	1,758
Power Authority	0	1,370	1,370
Battery Park City Authority	0	983	983
Tobacco Settlement Financing Corporation	660	0	660
Municipal Bond Bank Agency	203	222	425
Niagara Frontier Transportation Authority	0	113	113
TOTAL OUTSTANDING	48,869	134,751	183,620

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, 2017. This includes \$10.3 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), \$750 million issued by the Brooklyn Arena Local Development Corporation, and \$3.4 billion issued by the New York Transportation Development Corporation. In addition, JDA has \$3 million in State-guaranteed bonds outstanding.

⁽³⁾ Includes \$3.97 billion of Utility Debt Securitization Authority (UDSA) bonds. Chapter 173 of the Laws of 2013 established USDA for the sole purpose of retiring certain outstanding indebtedness of the Long Island Power Authority (LIPA) through the issuance of restructuring bonds. USDA 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 official financial disclosures of the City of New York and its related issuers can also be accessed through the EMMA system website at www.emma.msrb.org. The State assumes no liability or responsibility for any financial information reported by the City of New York. The following table summarizes the debt of New York City and its related issuers.

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

Year	General Obligation Bonds	Obligations of TFA ⁽¹⁾	Obligations of STAR Corp. ⁽²⁾	Obligations of TSASC, Inc.	Hudson Yards Infrastructure Corporation	Other ⁽³⁾ Obligations	Total
2008	36,100	14,828	2,339	1,297	2,067	2,556	59,187
2009	39,991	16,913	2,253	1,274	2,033	2,442	64,906
2010	41,555	20,094	2,178	1,265	2,000	2,444	69,536
2011	41,785	23,820	2,117	1,260	2,000	2,590	73,572
2012	42,286	26,268	2,054	1,253	3,000	2,493	77,354
2013	41,592	29,202	1,985	1,245	3,000	2,394	79,418
2014	41,665	31,038	1,975	1,228	3,000	2,334	81,240
2015	40,460	33,850	2,035	1,222	3,000	2,222	82,789
2016	38,073	37,358	1,961	1,145	3,000	2,102	83,639
2017	37,891	40,696	1,884	1,089	2,751	2,034	86,345

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

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

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

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

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

Other Localities

Certain localities other than New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing by local governments has become more common in recent years. State legislation enacted post-2004 includes 27 special acts authorizing bond issuances to finance local government operating deficits. Included in this figure are special acts that extended the period of time related to prior authorizations and modifications to issuance amounts previously authorized. When a local government is authorized to issue bonds to finance operating deficits, the local government is subject to certain additional fiscal oversight during the time the bonds are outstanding as required by the State's Local Finance Law, including an annual budget review by OSC.

In addition to deficit financing authorizations, the State has periodically enacted legislation to create oversight boards in order to address deteriorating fiscal conditions within particular localities. The Cities of Buffalo and Troy, and the Counties of Erie and Nassau are subject to varying levels of review and oversight by entities created by such legislation. The City of Newburgh operates under special State legislation that provides for fiscal oversight by the State Comptroller. The impact on the State of any possible requests in the future for additional oversight or financial assistance cannot be determined at this time and therefore is not included in the Updated Financial Plan projections.

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 in addition to other education aid provided by the State for the support of the Yonkers School District for Yonkers fiscal year 2015. Legislation enacted in 2015 provided a total of \$25 million in additional aid to Yonkers for the support of the Yonkers School District for Yonkers fiscal years ending 2016 and 2017, subject to Yonkers submitting a comprehensive financial plan that provides for continuity of current educational services and receiving approval of that plan from the Director of the Budget. That plan has been submitted and approved by the State Director of the Budget.

Legislation enacted in 2013 created the Financial Restructuring Board for Local Governments (the "Restructuring Board"). The Restructuring Board consists of ten members, including the State Director of the Budget, who is the Chair, the Attorney General, the State Comptroller, the Secretary of State and six members appointed by the Governor. The Restructuring Board, upon the request of a "fiscally eligible municipality", is authorized to perform a number of functions including reviewing the municipality's operations and finances, making recommendations on reforming and restructuring the municipality's operations, proposing that the municipality agree to fiscal

accountability measures, and making available certain grants and loans. To date, the Restructuring Board is currently reviewing or has completed reviews for twenty 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 38 local governments (8 counties, 10 cities, 11 towns, 9 villages) and 59 school districts have been placed in a stress category by OSC based on financial data for their fiscal years ending in 2016. The vast majority of entities scored by OSC (96 percent) are classified in the "No Designation" category.

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

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

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

The following table summarizes the debt of New York City and its related issuers, and other New York State localities, from 1980 to 2016.

DEBT OF NEW YORK LOCALITIES⁽¹⁾						
(millions of dollars)						
Locality Fiscal Year Ending	Combined New York City Debt⁽²⁾		Other Localities Debt⁽³⁾		Total Locality Debt⁽³⁾	
	Bonds	Notes	Bonds⁽⁴⁾	Notes⁽⁴⁾	Bonds⁽³⁾⁽⁴⁾	Notes⁽⁴⁾
1980	12,995	0	6,835	1,793	19,830	1,793
1990	20,027	0	10,253	3,082	30,280	3,082
2000	39,244	515	19,093	4,470	58,337	4,985
2010	69,536	0	36,110	7,369	105,646	7,369
2011	73,572	0	36,247	7,327	109,819	7,327
2012	77,354	0	36,699	7,194	114,053	7,194
2013	79,418	0	36,483	7,447	115,901	7,447
2014	81,240	0	36,290	7,236	117,530	7,236
2015	82,789	0	34,346	6,981	117,135	6,981
2016	83,639	0	35,006	6,952	118,645	6,952

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

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 may include debt that has been defeased through the issuance of refunding bonds.

⁽¹⁾ Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

⁽²⁾ Includes bonds issued by New York City and its related issuers, the Transitional Finance Authority, STAR Corporation, TSASC, Inc., the Hudson Yards Infrastructure Corporation, and Treasury obligations (as shown in the table "Debt of New York City and Related Entities" in the section of this document entitled "Authorities and Localities - The City of New York"). Also included are the bonds of the Fiscal Year 2005 Securitization Corporation, the Industrial Development Agency, the Municipal Assistance Corporation, the Samurai Funding Corporation, the New York City Educational Construction Fund, and the Dormitory Authority of the State of New York for education, health and court capital projects, and other long-term leases which will be repaid from revenues of the City or revenues which would otherwise be available to the City if not needed for debt service and, beginning in 2010, the New York City Tax Lien Collateralized Bonds.

⁽³⁾ Includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Starting in 2001, debt for other localities includes installment purchase contracts.

⁽⁴⁾ Amounts reflect those set forth on Annual Update Documents provided to OSC by New York State localities. Does not include the indebtedness of certain localities that did not file Annual Update Documents (financial reports) with the State Comptroller.

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State Retirement System

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State Retirement System

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

General

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

Greater detail, including the independent auditor’s report for the fiscal year ending March 31, 2017, is included in NYSLRS’ Comprehensive Annual Financial Report (“NYSLRS’ CAFR”) for the fiscal year ended March 31, 2017 and is available on the OSC website at the following address: http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php. Additionally, available at the OSC website are the System’s asset listing for the fiscal year ended March 31, 2017 and audited financial statements with independent auditor’s report for the fiscal year ended March 31, 2017.

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 2017 and benefit plan booklets describing how each of the System’s tiers works are all available and can be accessed at www.osc.state.ny.us/retire/publications/.

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

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

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

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

The System

The System provides pension benefits to public employees of the State and its localities (except employees of New York City, and public school teachers and administrators, who are covered by separate plans). State employees made up about 33 percent of the membership as of March 31, 2017. There were 3,040 other public employers participating in the System, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees), and many public authorities.

As of March 31, 2017, 652,324 persons were members of the System and 452,455 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, 2017, approximately 64 percent of ERS members were in Tiers 3 and 4 and approximately 72 percent of PFRS members were in Tier 2. Tier 5 was enacted in 2009 and included significant changes to the benefit structure for ERS members who joined on or after January 1, 2010 and PFRS members who joined on or after January 9, 2010. Tier 6 was enacted in 2012 and included further changes to the benefit structure for ERS and PFRS members who joined on or after April 1, 2012.

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

ERS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/ers_comparison.php

PFRS Chart: http://www.osc.state.ny.us/retire/employers/tier-6/pfrs_comparison.php

Contributions and Funding

Contributions to the System are provided by employers and employees. Employers contribute on the basis of the plan or plans they provide for members. All ERS members joining from mid-1976 through 2009 were required to contribute 3 percent of their salaries. A statutory change in 2000, however, limited the contributions to the first 10 years of membership, but did not authorize refunds where contributions had already exceeded 10 years. All ERS members joining after 2009 and prior to April 1, 2012, and all PFRS members joining after January 9, 2010 and prior to April 1, 2012, are members of Tier 5. All Tier 5 ERS members and 87 percent of the 1,665 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.²⁰ Members in Tier 6 of both ERS and PFRS earning \$45,000 or less are required to contribute 3 percent of their gross annual wages; members earning between \$45,001 and \$55,000 are required to contribute 3.5 percent; members earning between \$55,001 and \$75,000 are required to contribute 4.5 percent; members earning between \$75,001 and \$100,000 will contribute 5.75 percent; and, those earning in excess of \$100,000 are required to contribute 6 percent of their gross annual salary.

In order to protect employers from potentially volatile contributions tied directly to the value of the System’s assets held by the CRF, the System utilizes a multi-year smoothing procedure. One of the factors used to calculate employer contribution requirements is the assumed investment rate of return used by the System’s Actuary, which is currently 7.0 percent.²¹

The current actuarial smoothing method recognizes unexpected annual gains and losses (returns above or below the assumed investment rate of return) over a 5-year period.

²⁰ Less than 1 percent of the 7,028 PFRS Tier 6 members are non-contributory.

²¹ During 2015, the Retirement System’s Actuary conducted the statutorily required quinquennial actuarial experience study of economic and demographic assumptions. The assumed investment rate of return is an influential factor in calculating employer contribution rates. In addition, the Chief Investment Officer conducted an asset allocation study. The resulting asset allocation and long-term asset allocation policy informed the Actuary’s recommendation regarding the revision of the investment rate of return (discount rate). In September 2015, the Comptroller announced the assumed rate of return for NYSLRS would be lowered from 7.5 percent to 7 percent. The 7 percent rate of return has been effective for employer contribution rates used in FYs 2017, 2018 and 2019.

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 2019 were released in September 2017. The average ERS rate decreased by 2.6 percent from 15.3 percent of salary in FY 2018 to 14.9 percent of salary in FY 2019, while the average PFRS rate decreased by 2.7 percent from 24.4 percent of salary in FY 2018 to 23.5 percent of salary in FY 2019. Information regarding average rates for FY 2019 may be found in the 2017 Annual Report to the Comptroller on Actuarial Assumptions which is accessible at:

http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Legislation enacted in 2010 authorized the State and participating employers to amortize a portion of their annual pension costs during periods when actuarial contribution rates exceed thresholds established by the statute. The legislation provided employers with an optional mechanism intended to reduce the budgetary volatility of employer contributions. Amortized amounts must be paid by the State and participating employers in equal annual installments over a ten-year period, and employers may prepay these amounts at any time without penalty. Employers are required to pay interest on the amortized amounts at a rate determined annually by the State Comptroller that is comparable to taxable fixed income investments of a comparable duration. The interest rate on the amount an employer chooses to amortize in a particular rate year is fixed for the duration of the ten-year repayment period. Should the employer choose to amortize in the next rate year, the interest rate on that amortization will be the rate set for that year. For amounts amortized in FY 2011, FY 2012, FY 2013, FY 2014, FY 2015, FY 2016, FY 2017 and FY 2018, the interest rates are 5 percent, 3.75 percent, 3 percent, 3.67 percent, 3.15 percent, 3.21 percent, 2.33 percent and 2.84 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, 2017, the amortized amount receivable, including accrued interest, for the 2011 amortization is \$111.06 million from the State and \$14 million from 30 participating employers; the amortized amount receivable, including accrued interest, for the 2012 amortization is \$308.21 million from the State and \$101.15 million from 106 participating employers; the amortized amount receivable, including accrued interest, for the 2013 amortization is \$495.62 million from the State and \$217.94 million from 124 participating employers; the amortized amount receivable, including accrued interest, for the 2014 amortization is \$692.51 million for the State and \$139.66 million from 92 participating employers; the amortized amount receivable including accrued interest, for the 2015 amortization is \$589.18 million from the State and \$114.25 million from 78 participating employers; the amortized amount receivable, including accrued interest for the 2016 amortization, is \$326.2 million from the State and \$61.25 million from 53 participating employers; and the amortized amount receivable, including accrued interest for the 2017 amortization, is \$6.13 million from 9 participating employers; the State did not amortize in 2017.

The FY 2014 Enacted Budget included an alternate contribution program (the “Alternate Contribution Stabilization Program”) that provides certain participating employers with a one-time election to amortize slightly more of their required contributions than would have been available for amortization under the 2010 legislation. In addition, the maximum payment period was increased from ten years to twelve years. The election is available to counties, cities, towns, villages, BOCES, school districts and the four public health care centers operated in the counties of Nassau, Westchester and Erie. The State is not eligible to participate in the Alternate Contribution Stabilization Program. There are 41 employers that are currently enrolled in the program. Employers are not required to amortize every year. As of March 31, 2017, the amortized amount receivable, including interest, from 26 participating employers for the 2014 amortization is \$197.49 million. The amortized amount receivable, including interest, from 26 participating employers for the 2015 amortization is \$168.85 million. The amortized amount receivable, including interest, from 23 participating employers for the 2016 amortization is \$124.79 million. The amortized amount receivable, including interest, from 19 participating employers for the 2017 amortization is \$82.96 million.

For those eligible employers electing to participate in the Alternate Contribution Stabilization Program, the graded contribution rate for fiscal years ending 2014 and 2015 is 12 percent of salary for ERS and 20 percent of salary for PFRS. Thereafter, the graded contribution rate will increase one half of one percent per year towards the actuarially required rate. The FY 2019 amounts are 14.0 percent for ERS and 22.0 percent for PFRS. Electing employers may amortize the difference between the graded rate and the actuarially required rate over a twelve-year period at an interpolated twelve year U.S. Treasury Security rate (3.76 percent for FY 2014, 3.50 percent for FY 2015, 3.31 percent for FY 2016, 2.63 percent for FY 2017 and 3.31 percent for FY 2018). As with the original Contribution Stabilization Program, when contribution rates fall below legally specified levels and all outstanding amortizations have been paid, employers that elect to amortize under the alternate program will be required to pay additional monies into reserve funds, specific to each employer, which will be used to offset their contributions in the future.

Legislation enacted in June 2017 modified the calculation of an employer’s graded rate to be the product of the System’s graded rate with the ratio of the employer’s average contribution rate to the System’s average contribution rate, not to exceed the System’s graded rate.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2018 is approximately \$2.362 billion. Multiple prepayments (including interest credit) have reduced this amount by \$2.339 billion.

The estimated total State payment (including Judiciary) due to NYSLRS for FY 2019 is approximately \$2.361 billion.

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

Pension Assets and Liabilities

The System's assets are held by the CRF for the exclusive benefit of members, pensioners and beneficiaries. Investments for the System are made by the State Comptroller as trustee of the CRF. The System reports that the net position restricted for pension benefits as of March 31, 2017 was \$197.6 billion (including \$5.9 billion in receivables, which consist of employer contributions, amortized amounts, member contributions, member loans, accrued interest and dividends, investment sales and other miscellaneous receivables), an increase of \$14.0 billion or 7.6 percent from the FY 2016 level of \$183.6 billion. The increase in net position restricted for pension benefits from FY 2016 to FY 2017 reflects, in large part, equity market performance.²² The System's audited Financial Statement reports a time-weighted investment rate of return of 11.48 percent (gross rate of return before the deduction of certain fees) for FY 2017.

Consistent with statutory limitations affecting categories of investment, the State Comptroller, as trustee of the CRF, establishes a target asset allocation and approves policies and procedures to guide and direct the investment activities of the Division of Pension Investment and Cash Management. The purpose of this asset allocation strategy is to identify the optimal diversified mix of assets to meet the requirements of pension payment obligations to members. In the fiscal year ended March 31, 2015, an asset liability analysis was completed and a long-term policy allocation was adopted. The current long-term policy allocation seeks a mix that includes 50 percent public equities (36 percent domestic and 14 percent international); 18 percent bonds, cash and mortgages; 4 percent inflation indexed bonds and 28 percent alternative investments (10 percent private equity, 10 percent real estate, 2 percent absolute return or hedge funds, 3 percent opportunistic and 3 percent real assets). Since the implementation of the long-term policy allocation will take several years, transition targets have been established to aid in the asset rebalancing process.²³

The System reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased to \$240.7 billion (including \$119.2 billion for retirees and beneficiaries) as of April 1, 2017, up from \$232.9 billion as of April 1, 2016. The funding method used by the System anticipates that the plan net position, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. The valuation used by the Retirement Systems Actuary was based on audited net position restricted for pension benefits as of March 31, 2017. 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, 2017 in that the determination of actuarial assets utilized a smoothing method that recognized 20 percent of the unexpected gain for FY 2017, 40 percent of the unexpected loss for FY 2016, 60 percent of the unexpected loss for FY 2015, and 80 percent of the unexpected gain for FY 2014. The asset valuation method smooths gains and losses based on the market value of all investments. Actuarial assets increased from \$190.7 billion on April 1, 2016 to \$198.1 billion on April 1, 2017.

²² On February 12, 2018, the State Comptroller released a statement indicating that the value of the System's Invested assets posted a 4.12 percent time-weighted rate of return (gross rate of return before the deduction of certain fees) for the three-month period ended December 31, 2017. This report reflects unaudited data for assets invested for the System. The value of invested assets changes daily.

²³ More detail on the CRF's asset allocation as of March 31, 2017, long-term policy and transition target allocation can be found on page 94 of the NYSLRS' CAFR for the fiscal year ending March 31, 2017.

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

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

The ratio of fiduciary net position to the total pension liability for ERS, as of March 31, 2017, calculated by the System's Actuary, was 94.7 percent. The ratio of the fiduciary net position to the total pension liability for PFRS, as of March 31, 2017, calculated by the System's Actuary, was 93.5 percent.²⁴

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

As noted above, Statement No. 68 impacts neither the actuarial funding method nor the calculation of rates. The System provided employers with the information required to comply with Statement No. 68 in September 2017, based on the System's measurement date of March 31, 2017. The Net Pension liability is allocated to participating employers and reported pursuant to both Statements 67 and 68.

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

<https://www.osc.state.ny.us/retire/about-us/financial-statements-index.php>.

²⁴ 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.

The GASB 68 “Schedules of Employer Allocation” and “Schedules of Pension Amounts by Employer” as of March 31, 2017 have been posted to the OSC website.

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

CONTRIBUTIONS AND BENEFITS					
NEW YORK STATE AND LOCAL RETIREMENT SYSTEM⁽¹⁾					
(millions of dollars)					
Fiscal Year	Contributions Recorded				Total Benefits Paid⁽³⁾
	Ended	All Participating	Local	State	
March 31	Employers⁽¹⁾⁽²⁾	Employers⁽¹⁾⁽²⁾	State⁽¹⁾⁽²⁾	Employees	
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	3,386	1,950	269	9,521
2014	6,064	3,691	2,373	281	9,978
2015	5,797	3,534	2,263	285	10,514
2016	5,140	3,182	1,958	307	11,060
2017	4,787	2,973	1,814	329	11,508

Sources: State and Local Retirement System.

⁽¹⁾ Contributions recorded include the full amount of unpaid amortized contributions.

⁽²⁾ The actuarially 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		Percent
March 31	Net Assets	Increase/ (Decrease)
		From Prior Year
2008	155,846	-0.5%
2009	110,938	-28.8%
2010	134,252	21.0%
2011	149,549	11.4%
2012	153,394	2.6%
2013	164,222	7.1%
2014	181,275	10.4%
2015	189,412	4.5%
2016	183,640	-3.0%
2017	197,602	7.6%

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, 2017 includes approximately \$5.8 billion of receivables.

Additional Information Regarding the System

The NYSLRS CAFR contains in-depth and audited information about the System. Among other things, the NYSLRS CAFR contains information about the number of members and retirees, salaries of members, valuation of assets, changes in fiduciary net position and information related to contributions to the System. The NYSLRS CAFR is available on the OSC website at the following web address:

http://www.osc.state.ny.us/retire/about_us/financial_statements_index.php

- 1) Information on the number of members and retirees, including the change in the number of members and retirees and beneficiaries since 2008 can be found on page 27 of the NYSLRS CAFR at the link noted above. More information on this topic is available in the “Statistical” section of the NYSLRS CAFR.
- 2) A combined basic statement of changes in fiduciary net position can be found on page 41 of the NYSLRS CAFR at the link noted above.
- 3) Schedule of Changes in the Employers’ Net Pension Liability and Related Ratios (unaudited) can be found on pages 70-71 at the link noted above.
- 4) Information on contributions can be found on pages 139-147 of the NYSLRS CAFR at the link noted above.
- 5) A table with the market value of assets, actuarial value of assets and actuarial accrued liability of the CRF since 2007 can be found on page 148 of the NYSLRS CAFR at the link noted above.
- 6) Information related to the salaries of members can be found on pages 181-185 of the NYSLRS CAFR at the link noted above.

Litigation

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Litigation

THE INFORMATION THAT FOLLOWS UNDER THIS HEADING HAS BEEN FURNISHED BY THE STATE OFFICE OF THE ATTORNEY GENERAL AND DOB HAS NOT UNDERTAKEN ANY INDEPENDENT VERIFICATION OF SUCH INFORMATION.

Real Property Claims

Over the years, there have been a number of cases in which Native American tribes have asserted possessory interests in real property or sought monetary damages as a result of claims that certain transfers of property from the tribes or their predecessors-in-interest in the 18th and 19th centuries were illegal. Of these cases, only one remains active.

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

On May 21, 2013, the State, Franklin and St. Lawrence Counties, and the tribe signed an agreement resolving a gaming exclusivity dispute, which agreement provides that the parties will work towards a mutually agreeable resolution of the tribe's land claim. The land claim has been stayed through at least April 20, 2018 to allow for settlement negotiations.

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

School Aid

In *Maisto v. State of New York* (formerly identified as *Hussein v. State of New York*), plaintiffs seek a judgment declaring that the State's system of financing public education violates § 1 of article 11 of the State Constitution, on the ground that it fails to provide a sound basic education (SBE). In a decision and order dated July 21, 2009, Supreme Court, Albany County, denied the State's motion to dismiss the action. On January 13, 2011, the Appellate Division, Third Department, affirmed the denial of the motion to dismiss. On May 6, 2011, the Third Department granted defendants leave to appeal to the Court of Appeals. On June 26, 2012, the Court of Appeals affirmed the denial of the State's motion to dismiss.

The trial commenced on January 21, 2015 and was completed on March 12, 2015. On September 19, 2016, the trial court ruled in favor of the State and dismissed the action. Plaintiffs filed a notice

of appeal dated October 5, 2016 with the Appellate Division, Third Department. Plaintiffs have filed their appellate brief and the State's brief was filed May 30, 2017. The appeal was argued on September 5, 2017. By decision and order dated October 26, 2017, the Appellate Division reversed the judgment of the trial court and remanded the case in order for the trial court to make specific findings as to the adequacy of inputs and causation.

In *Aristy-Farer, et al. v. The State of New York, et al.* (Sup. Ct., N.Y. Co.), commenced February 6, 2013, plaintiffs seek a judgment declaring that the provisions of L. 2012, Chapter 53 and L. 2012, Chapter 57, Part A § 1, linking payment of State school aid increases for 2012-2013 school year to submission by local school districts of approvable teacher evaluation plans violates, among other provisions of the State Constitution, Article XI, § 1, because implementation of the statutes would prevent students from receiving a sound basic education. Plaintiffs moved for a preliminary injunction enjoining the defendants from taking any actions to carry out the statutes to the extent that they would reduce payment of State aid disbursements referred to as General Support for Public Schools (GSPS) to the City of New York pending a final determination. The State opposed this motion. By order dated February 19, 2013, the Court granted the motion for preliminary injunction. The State appealed. On May 21, 2013, the Appellate Division, First Department, denied plaintiffs motion for a stay pending appeal. As a result, plaintiffs have agreed to vacate their preliminary injunction and the State will withdraw its appeal. On April 7, 2014, Supreme Court denied the State's motion to dismiss. The Answer to the Second Amended Complaint was filed on February 2, 2015.

By decision dated August 12, 2014, Supreme Court, New York County, granted a motion to consolidate *Aristy-Farer*, discussed in the preceding paragraph, with *New Yorkers for Student Educational Rights v. New York*. On June 27, 2017, the Court of Appeals dismissed the *Aristy-Farer* action but held that the *New Yorkers for Student Educational Rights v. New York* action could proceed on a limited basis as to the New York City and Syracuse school districts, as discussed below.

In *New Yorkers for Students Educational Rights v. New York*, the organizational plaintiff and several individual plaintiffs commenced a new lawsuit on February 11, 2014, in Supreme Court, New York County, claiming that the State is not meeting its constitutional obligation to fund schools in New York City and throughout the State to provide students with an opportunity for a sound basic education. Plaintiffs specifically allege that the State is not meeting its funding obligations for New York City schools under the Court of Appeals decision in *Campaign for Fiscal Equity ("CFE") v. New York*, 8 N.Y.3d 14 (2006), and -- repeating the allegations of *Aristy-Farer* -- challenge legislation conditioning increased funding for New York City schools on the timely adoption of a teacher evaluation plan. With regard to other school districts throughout the State, plaintiffs allege that the State is not providing adequate Statewide funding, has not fully implemented certain 2007 reforms to the State aid system, has imposed gap elimination adjustments decreasing State aid to school districts, and has imposed caps on State aid increases, and on local property tax increases unless approved by a supermajority. Finally, they allege that the State has failed to provide assistance, services, accountability mechanisms, and a rational cost formula to ensure that students throughout the State have an opportunity for a sound basic education.

Plaintiffs seek a judgment declaring that the State has failed to comply with CFE, that the State has failed to comply with the command of State Constitution Article XI to provide funding for public schools across the State, and that the gap elimination adjustment and caps on State aid and local property tax increases are unconstitutional. They seek an injunction requiring the State to eliminate the gap elimination adjustments and caps on State aid and local property tax increases, to reimburse New York City for the funding that was withheld for failure to timely adopt a teacher evaluation plan, to provide greater assistance, services and accountability, to appoint an independent commission to determine the cost of providing students the opportunity for a sound basic education, and to revise State aid formulas.

On May 30, 2014, the State filed a motion to dismiss all claims. 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 sought to enjoin defendants from enforcing: (1) the gap elimination adjustment set forth in N.Y. Education Law § 3602(17); (2) the cap on state aid increases set forth in N.Y. Education Law § 3602(1)(dd); and (3) the requirements regarding increases in local property tax levies set forth in N.Y. Education Law § 3602(1)(dd) & 18. On July 8, 2014, defendants moved by Order to Show Cause to change the venue of the preliminary injunction application, as well as the entire action, to Albany County, pursuant to CPLR 6311(1). By Decision and Order dated August 8, 2014, the Court granted defendants' motion to transfer the preliminary injunction application to Albany County, but denied that part of the motion which sought to transfer the entire action.

By letter dated October 27, 2014, plaintiffs withdrew their motion for a preliminary injunction. By order dated November 17, 2014, Supreme Court, New York County, denied defendants' motion to dismiss. By separate order dated November 17, 2014, Supreme Court, New York County also granted the motion of the City of Yonkers to intervene as a plaintiff in the proceeding. Defendants filed Notices of Appeal of both November 17, 2014 decisions on December 15, 2014. Defendants filed Answers to the Amended Complaint and to Yonkers' Intervenor Complaint on February 2, 2015. The appeals of both November 17, 2014 decisions, along with the appeal in *Aristy-Farer*, were heard by the First Department on February 24, 2016.

Plaintiffs moved for partial summary judgment, pre-discovery, on May 29, 2015. Defendants filed opposition papers and cross-moved for partial summary judgment on July 31, 2015. Defendants also moved for a stay of the litigation pending the outcomes of the pending appeals. Oral argument was held on the cross-motions for partial summary judgment and the motion for a stay on November 4, 2015. The court denied both parties' motions for partial summary judgment on November 20, 2015. The court also denied defendants' motion for a stay on November 20, 2015. The court held a preliminary conference on February 3, 2016. On April 5, 2016, following the submission of a stipulation by the parties, the court stayed the case pending the outcome of the appeal before the First Department.

On September 8, 2016, the First Department ruled largely in favor of plaintiffs and held that the bulk of their school-financing claims in *Aristy-Farer* and *New Yorkers for Students' Educational Rights (NYSER)* could proceed. Defendants moved for leave to appeal to the Court of Appeals,

and that motion was granted by the First Department on December 15, 2016. The matter was fully briefed in the Court of Appeals which heard argument on May 30, 2017.

On June 27, 2017, the Court of Appeals held that the Aristy-Farer complaint failed to state a claim and that the NYSER complaint failed to state a claim on its causes of action alleging that the State violated the Constitution by departing from funding levels endorsed in CFE and envisioned by the Legislature's 2007 reforms to the State aid system. The Court held that plaintiffs could proceed on their claims that the State was failing in its constitutional obligation to ensure the provision of minimally adequate educational services in the New York City and Syracuse school districts and remanded for further proceedings as to those two districts only.

Discovery is currently stayed, following the Plaintiffs' request to amend their complaint. The amended complaint was filed on December 11, 2017. Defendants' response is due on April 9, 2018. Plaintiffs now bring three causes of action against the State of New York, having dropped the other named defendants. The first cause of action alleges that the State has failed to provide a sound basic education in five school districts: New York City, Syracuse, Schenectady, Central Islip and Gouverneur. The second cause of action alleges that the State has failed to maintain a system of accountability to ensure that a sound basic education is being provided in those five districts. The third cause of action appears to still assert a statewide cause of action, alleging that since 2009 the State has failed to "adopt appropriate policies, systems and mechanisms to properly implement the requirements of N.Y. Const. art. XI. § 1 and of the CFE decisions." This cause of action is not limited to the five districts. The State is considering a partial motion to dismiss the third cause of action.

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. The 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. The Supreme Court directed the defendant to re-compute Medicaid rates for the plaintiff's facilities, and that re-computation was completed in October 2013. Plaintiffs brought a motion, returnable March 5, 2014, to compel payment of the impacted Medicaid rates computed thus far by DOH 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 was granted and the State filed a notice of appeal.

In April and May 2015, the Supreme Court, New York County, administratively consolidated many of the reserve bed patient 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' reserve bed patient day interpretation and similar calculations by DOH for additionally consolidated cases, referred to under the heading of the Lead Petitioner (Cabrini), were also performed by DOH.

In March 2016, over 600 nursing home facilities, including all of the *Kateri* plaintiffs, entered a "universal settlement" with the State, resolving all issues concerning nursing home rate reimbursement unless specifically excluded from the settlement by agreement of the parties. The *Kateri* plaintiffs and the State agreed to exclude one issue, called "facility specific rebasing claims," and agreed to cap potential liability for that issue at no more than \$15 million inclusive of all fees and costs. The parties filed a stipulation on June 22, 2016 setting forth a proposed briefing schedule for a motion to determine that issue with all papers due by August 12, 2016, and the next scheduled court conference was adjourned to September 21, 2016. Pending completion of settlement discussions of the remaining "facility specific rebasing claims" issue, the parties reached a revised briefing schedule at a court conference on December 21, 2016, pursuant to which plaintiffs' motions associated with their remaining claim were due to be filed on February 3, 2017, with opposition to such motions due on or before March 3, 2017, reply if any due on or before March 24, 2017, and a court conference scheduled for April 26, 2017. By stipulation dated May 30, 2017, counsel for the parties agreed to extend the dates set forth in the December 21, 2016 conference order as follows: motion on facility specific rebasing issues due June 30, 2017; opposition July 31, 2017; reply September 15, 2017, motion on remaining "open issues" other than facility specific rebasing due September 29, 2017, opposition due October 31, 2017 and reply papers due November 29, 2017, and the next court conference was scheduled on June 28, 2017 while settlement discussions continued. Counsel for the parties agreed to appear in court on June 21, 2017 at 11:30 a.m. to further discuss settlement with the Court. At that conference, the parties agreed to settle the case by so ordered stipulation, pursuant to which the State would pay the plaintiff the sum of \$9 million, in exchange for a discontinuance with prejudice. On August 24, 2017, plaintiff's counsel received the agreed-upon payment of \$9 million in full settlement of the remaining issues in this litigation.

Family Assistance

In *Tejada v. Roberts* (formerly identified as *Velez v. Roberts*) (Sup. Ct., New York Co.), plaintiffs allege violations of Social Services Law §350(1)(a) and the State Administrative Procedure Act and seek judgment that the New York State Office of Temporary and Disability Assistance is failing to meet its statutory obligation to provide an adequate shelter allowance because that allowance and the Family Eviction Prevention Supplement (FEPS), used to supplement shelter allowance benefits, have not been increased since 2005 and 2004, respectively. The parties settled the case on February 27, 2017. On June 8, 2017, upon Plaintiffs' uncontested motion, the Court preliminarily approved the settlement, and provisionally certified the class and set September 8, 2017 as the date for the fairness hearing. On September 8, 2017, following the fairness hearing, the Court certified the plaintiff class and approved the class action settlement. This case is now concluded.

Canal System Financing

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

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

Plaintiffs' motion for class action certification was filed with the District Court on September 6, 2016. Defendants' response was filed on November 18, 2016 and plaintiffs' reply was filed February 3, 2017. In addition, on January 26, 2017, the Thruway Authority moved to dismiss for lack of subject matter jurisdiction based on Federal legislation authorizing the Thruway to use highway tolls for canal purposes. Plaintiffs' opposition to that motion was filed February 13, 2017 and defendants' reply was filed on February 16, 2017. Thereafter, all matters on the case were stayed pending the determination of the motion to dismiss - with discovery ongoing, a trial on the issue of damages had previously been scheduled to begin in March 2017. In addition, on February 1, 2017, counsel for plaintiffs filed a similar, companion action on behalf of the motor bus industry as a related case, *Am. Bus Ass'n v. N.Y. Thruway Auth.*, 17-CV-0782 (SDNY).

On March 1, 2017, the Court entered a decision dismissing the complaint in the original matter under Fed. R. Civ. P. 12(c) for failure to state a cause of action, consistent with the Thruway Authority's motion to dismiss. The Court entered judgment in favor of defendants the same day. The Court also entered an order to show cause in the companion matter brought by the bus association, directing plaintiffs to indicate by March 20, 2017, why the similar matter should not be dismissed on the same grounds as the trucking lawsuit. The Court subsequently granted judgment in favor of defendants in the bus association case. Plaintiffs appealed in both the trucking association and bus association cases, and the two appeals were consolidated by the Second Circuit with the consent of both sides. Plaintiff's opening brief on appeal was filed June 26, 2017. Defendants' opposing brief was filed September 25, 2017. Plaintiffs' reply brief was filed on November 7, 2017. Argument was heard on January 25, 2018.

Financial Plan Tables

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Financial Plan Tables

The cash financial plan tables listed below appear on the following pages and summarize actual General Fund receipts and disbursements for fiscal year 2017 and projected receipts and disbursements for fiscal years 2018 through 2021 on a General Fund, State Operating Funds and All Governmental Funds basis. The Updated Financial Plan projections for FY 2018 and thereafter, set forth in this AIS Update, reflect the savings that DOB estimates would occur if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in spending from State Operating Funds to no greater than 2 percent. The estimated savings are labeled in the Updated Financial Plan tables as "Adherence to 2% Spending Benchmark". Total disbursements in the Updated Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, budget gaps would be higher (or the projected surpluses lower).

General Fund - Total Budget

- Financial Plan, Annual Change from FY 2017 to FY 2018
- Financial Plan Projections FY 2019 through FY 2022
- Update to FY 2018
- Update to FY 2019
- Update to FY 2020
- Update to FY 2021

General Fund - Receipts Detail (Excluding Transfers)

- Financial Plan Projections FY 2018 through FY 2022

State Operating Funds Budget

- FY 2018
- FY 2019
- FY 2020
- FY 2021

All Governmental Funds - Total Budget

- FY 2018
- FY 2019
- FY 2020
- FY 2021

Cashflow - FY 2018 Monthly Projections

- General Fund

CASH FINANCIAL PLAN				
GENERAL FUND				
ANNUAL CHANGE FROM PRIOR YEAR				
(millions of dollars)				
	FY 2017	FY 2018	Annual	Annual
	Results	Current	\$ Change	% Change
Opening Fund Balance	8,934	7,749	(1,185)	-13.3%
Receipts:				
Taxes:				
Personal Income Tax	32,535	35,616	3,081	9.5%
Consumption/Use Taxes	7,101	7,386	285	4.0%
Business Taxes	4,761	5,108	347	7.3%
Other Taxes	1,110	1,332	222	20.0%
Miscellaneous Receipts	3,813	2,946	(867)	-22.7%
Federal Receipts	0	0	0	0.0%
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	10,275	11,017	742	7.2%
Sales Tax in Excess of LGAC	2,870	3,102	232	8.1%
Sales Tax in Excess of Revenue Bond Debt Service	2,672	2,761	89	3.3%
Real Estate Taxes in Excess of CW/CA Debt Service	940	966	26	2.8%
All Other	818	1,207	389	47.6%
Total Receipts	66,895	71,441	4,546	6.8%
Disbursements:				
Local Assistance	44,439	46,501	2,062	4.6%
State Operations:				
Personal Service	6,065	5,975	(90)	-1.5%
Non-Personal Service	2,022	2,217	195	9.6%
General State Charges	5,462	5,650	188	3.4%
Transfers to Other Funds:				
Debt Service	924	1,037	113	12.2%
Capital Projects	2,569	2,004	(565)	-22.0%
State Share of Mental Hygiene Medicaid	1,239	1,314	75	6.1%
SUNY Operations	996	1,022	26	2.6%
Other Purposes	4,364	4,303	(61)	-1.4%
Total Disbursements	68,080	70,023	1,943	2.9%
Excess (Deficiency) of Receipts Over Disbursements	(1,185)	1,418	2,603	219.7%
Closing Fund Balance	7,749	9,167	1,418	18.3%
Statutory Reserves				
Tax Stabilization Reserve	1,258	1,258	0	
Rainy Day Reserve	540	540	0	
Contingency Reserve	21	21	0	
Community Projects	56	39	(17)	
Reserved For				
Potential Labor Agreements	25	155	130	
Undesignated Fund Balance	14	1,905	1,891	
Debt Management	500	500	0	
Extraordinary Monetary Settlements	5,335	4,749	(586)	

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2019 through FY 2022 (millions of dollars)				
	FY 2019	FY 2020	FY 2021	FY 2022
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Receipts:				
Taxes:				
Personal Income Tax	22,212	24,281	25,147	26,402
Consumption/Use Taxes	7,752	8,087	8,361	8,644
Business Taxes	5,869	6,442	6,607	6,766
Other Taxes	1,051	1,110	1,173	1,238
Miscellaneous Receipts	2,019	2,028	2,001	1,882
Federal Receipts	0	0	0	0
Transfers from Other Funds:				
PIT in Excess of Revenue Bond Debt Service	22,875	23,859	24,674	25,484
ECET in Excess of Revenue Bond Debt Service	TBD	TBD	TBD	TBD
Sales Tax in Excess of LGAC	3,174	3,337	3,610	3,878
Sales Tax in Excess of Revenue Bond Debt Service	2,834	3,050	2,904	3,113
Real Estate Taxes in Excess of CW/CA Debt Service	1,034	1,094	1,132	1,175
All Other	2,381	1,868	1,761	1,727
Total Receipts	<u>71,201</u>	<u>75,156</u>	<u>77,370</u>	<u>80,309</u>
Disbursements:				
Local Assistance	49,938	53,087	55,780	58,273
State Operations:				
Personal Service	8,624	8,905	9,411	9,342
Non-Personal Service	2,904	3,068	3,107	3,143
General State Charges	7,597	8,132	8,641	9,148
Transfers to Other Funds:				
Debt Service	837	969	1,029	908
Capital Projects	3,246	3,433	3,213	2,882
State Share of Mental Hygiene Medicaid	0	0	0	0
SUNY Operations	1,021	1,020	1,021	1,021
Other Purposes	1,081	1,103	1,182	1,323
Total Disbursements	<u>75,248</u>	<u>79,717</u>	<u>83,384</u>	<u>86,040</u>
Use (Reservation) of Fund Balance:				
Community Projects	39	0	0	0
Undesignated Fund Balance	1,905	0	0	0
Extraordinary Monetary Settlements	2,103	1,090	825	619
Total Use (Reservation) of Fund Balance	<u>4,047</u>	<u>1,090</u>	<u>825</u>	<u>619</u>
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	0	(3,471)	(5,189)	(5,112)
Adherence to 2% Spending Benchmark*				
	0	2,659	4,760	5,640
Net General Fund Surplus (Deficit)	<u>0</u>	<u>(812)</u>	<u>(429)</u>	<u>528</u>
* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).				
Source: NYS DOB.				

CASH FINANCIAL PLAN					
GENERAL FUND					
FY 2018					
(millions of dollars)					
	<u>Enacted</u>	<u>Change</u>	<u>Mid-Year</u>	<u>Change</u>	<u>Executive (Amended)</u>
Receipts:					
Taxes:					
Personal Income Tax	34,406	(562)	33,844	1,772	35,616
Consumption/Use Taxes	7,438	(52)	7,386	0	7,386
Business Taxes	5,718	(120)	5,598	(490)	5,108
Other Taxes	1,072	118	1,190	142	1,332
Miscellaneous Receipts	2,152	590	2,742	204	2,946
Federal Receipts	0	0	0	0	0
Transfers from Other Funds:					
PIT in Excess of Revenue Bond Debt Service	10,923	(265)	10,658	359	11,017
Sales Tax in Excess of LGAC	3,120	(18)	3,102	0	3,102
Sales Tax in Excess of Revenue Bond Debt Service	2,766	(5)	2,761	0	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	1,023	(8)	1,015	(49)	966
All Other	1,216	(6)	1,210	(3)	1,207
Total Receipts	69,834	(328)	69,506	1,935	71,441
Disbursements:					
Local Assistance	47,069	(317)	46,752	(251)	46,501
State Operations:					
Personal Service	5,950	31	5,981	(6)	5,975
Non-Personal Service	2,227	5	2,232	(15)	2,217
General State Charges	5,789	(76)	5,713	(63)	5,650
Transfers to Other Funds:					
Debt Service	921	(5)	916	121	1,037
Capital Projects	2,627	(435)	2,192	(188)	2,004
State Share of Mental Hygiene Medicaid	1,301	0	1,301	13	1,314
SUNY Operations	1,015	7	1,022	0	1,022
Other Purposes	4,300	(36)	4,264	39	4,303
Total Disbursements	71,199	(826)	70,373	(350)	70,023
Use (Reservation) of Fund Balance:					
Community Projects	16	1	17	0	17
Potential Labor Agreements	(130)	0	(130)	0	(130)
Undesignated Fund Balance	14	0	14	(1,905)	(1,891)
Extraordinary Monetary Settlements	1,465	(499)	966	(380)	586
Total Use (Reservation) of Fund Balance	1,365	(498)	867	(2,285)	(1,418)
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	0	0	0	0	0
Adherence to 2% Spending Benchmark	0	0	0	0	0
Net General Fund Surplus (Deficit)	0	0	0	0	0

Source: NYS DOB.

CASH FINANCIAL PLAN							
GENERAL FUND							
FY 2019							
(millions of dollars)							
	Enacted	Change	Mid-Year	Change	Mental Hygiene Fund Reclassification	DOT/DMV Operating Reclassification	Executive (Amended)
Receipts:							
Taxes:							
Personal Income Tax	36,385	(563)	35,822	(13,610)	0	0	22,212
Consumption/Use Taxes	7,726	(71)	7,655	97	0	0	7,752
Business Taxes	5,770	(63)	5,707	162	0	0	5,869
Other Taxes	1,053	(3)	1,050	1	0	0	1,051
Miscellaneous Receipts	2,128	27	2,155	0	(166)	30	2,019
Federal Receipts	0	0	0	0	0	0	0
Transfers from Other Funds:							
PIT in Excess of Revenue Bond Debt Service	10,838	(167)	10,671	12,204	0	0	22,875
ECET in Excess of Revenue Bond Debt Service	0	0	0	TBD	0	0	TBD
Sales Tax in Excess of LGAC	3,154	(22)	3,132	42	0	0	3,174
Sales Tax in Excess of Revenue Bond Debt Service	2,797	(9)	2,788	46	0	0	2,834
Real Estate Taxes in Excess of CW/CA Debt Service	1,080	(6)	1,074	(40)	0	0	1,034
All Other	739	(10)	729	500	1,152	0	2,381
Total Receipts	71,670	(887)	70,783	(598)	986	30	71,201
Disbursements:							
Local Assistance	50,112	(144)	49,968	(1,740)	1,710	0	49,938
State Operations:							
Personal Service	6,237	12	6,249	(16)	2,224	167	8,624
Non-Personal Service	2,513	(12)	2,501	(143)	431	115	2,904
General State Charges	6,328	(176)	6,152	(81)	1,420	106	7,597
Transfers to Other Funds:							
Debt Service	1,155	(11)	1,144	(307)	0	0	837
Capital Projects	4,068	(118)	3,950	(346)	0	(358)	3,246
State Share of Mental Hygiene Medicaid	1,231	0	1,231	9	(1,240)	0	0
SUNY Operations	1,005	16	1,021	0	0	0	1,021
Other Purposes	4,704	(32)	4,672	(32)	(3,559)	0	1,081
Total Disbursements	77,353	(465)	76,888	(2,656)	986	30	75,248
Use (Reservation) of Fund Balance:							
Community Projects	0	0	0	39	0	0	39
Undesignated Fund Balance	0	0	0	1,905	0	0	1,905
Extraordinary Monetary Settlements	1,662	0	1,662	441	0	0	2,103
Total Use (Reservation) of Fund Balance	1,662	0	1,662	2,385	0	0	4,047
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)							
	(4,021)	(422)	(4,443)	4,443	0	0	0
Adherence to 2% Spending Benchmark*							
	3,230	(524)	2,706	(2,706)	0	0	0
Net General Fund Surplus (Deficit)	(791)	(946)	(1,737)	1,737	0	0	0

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Source: NYS DOB.

CASH FINANCIAL PLAN							
GENERAL FUND							
FY 2020							
(millions of dollars)							
	Enacted	Change	Mid-Year	Change	Mental Hygiene Fund Reclassification	DOT/DMV Operating Reclassification	Executive (Amended)
Receipts:							
Taxes:							
Personal Income Tax	37,986	(563)	37,423	(13,142)	0	0	24,281
Consumption/Use Taxes	7,996	(72)	7,924	163	0	0	8,087
Business Taxes	6,190	(54)	6,136	306	0	0	6,442
Other Taxes	1,112	(3)	1,109	1	0	0	1,110
Miscellaneous Receipts	2,135	24	2,159	1	(169)	37	2,028
Federal Receipts	0	0	0	0	0	0	0
Transfers from Other Funds:							
PIT in Excess of Revenue Bond Debt Service	10,789	(193)	10,596	13,263	0	0	23,859
ECET in Excess of Revenue Bond Debt Service	0	0	0	TBD	0	0	TBD
Sales Tax in Excess of LGAC	3,292	(23)	3,269	68	0	0	3,337
Sales Tax in Excess of Revenue Bond Debt Service	2,981	(11)	2,970	80	0	0	3,050
Real Estate Taxes in Excess of CW/CA Debt Service	1,133	(8)	1,125	(31)	0	0	1,094
All Other	723	(10)	713	266	889	0	1,868
Total Receipts	74,337	(913)	73,424	975	720	37	75,156
Disbursements:							
Local Assistance	53,101	(26)	53,075	(1,884)	1,896	0	53,087
State Operations:							
Personal Service	6,424	82	6,506	(23)	2,255	167	8,905
Non-Personal Service	2,661	(62)	2,599	(140)	444	165	3,068
General State Charges	6,792	(209)	6,583	(35)	1,474	110	8,132
Transfers to Other Funds:							
Debt Service	1,053	(11)	1,042	(73)	0	0	969
Capital Projects	3,899	(144)	3,755	83	0	(405)	3,433
State Share of Mental Hygiene Medicaid	1,119	0	1,119	(16)	(1,103)	0	0
SUNY Operations	1,001	19	1,020	0	0	0	1,020
Other Purposes	5,227	(30)	5,197	152	(4,246)	0	1,103
Total Disbursements	81,277	(381)	80,896	(1,936)	720	37	79,717
Use (Reservation) of Fund Balance:							
Extraordinary Monetary Settlements	1,087	0	1,087	3	0	0	1,090
Total Use (Reservation) of Fund Balance	1,087	0	1,087	3	0	0	1,090
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(5,853)	(532)	(6,385)	2,914	0	0	(3,471)
Adherence to 2% Spending Benchmark*	5,855	(364)	5,491	(2,832)	0	0	2,659
Net General Fund Surplus (Deficit)	2	(896)	(894)	82	0	0	(812)

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Source: NYS DOB.

CASH FINANCIAL PLAN GENERAL FUND FY 2021 (millions of dollars)							
	Enacted	Change	Mid-Year	Change	Mental Hygiene Fund Reclassification	DOT/DMV Operating Reclassification	Executive (Amended)
Receipts:							
Taxes:							
Personal Income Tax	39,215	(563)	38,652	(13,505)	0	0	25,147
Consumption/Use Taxes	8,274	(77)	8,197	164	0	0	8,361
Business Taxes	6,522	(49)	6,473	134	0	0	6,607
Other Taxes	1,175	(2)	1,173	0	0	0	1,173
Miscellaneous Receipts	2,058	24	2,082	52	(171)	38	2,001
Federal Receipts	0	0	0	0	0	0	0
Transfers from Other Funds:							
PIT in Excess of Revenue Bond Debt Service	11,054	(124)	10,930	13,744	0	0	24,674
ECET in Excess of Revenue Bond Debt Service	0	0	0	TBD	0	0	TBD
Sales Tax in Excess of LGAC	3,567	(25)	3,542	68	0	0	3,610
Sales Tax in Excess of Revenue Bond Debt Service	2,830	(13)	2,817	87	0	0	2,904
Real Estate Taxes in Excess of CW/CA Debt Service	1,189	(23)	1,166	(34)	0	0	1,132
All Other	723	(11)	712	235	814	0	1,761
Total Receipts	76,607	(863)	75,744	945	643	38	77,370
Disbursements:							
Local Assistance							
State Operations:	55,745	(17)	55,728	(1,940)	1,992	0	55,780
Personal Service	6,796	154	6,950	(18)	2,312	167	9,411
Non-Personal Service	2,718	(93)	2,625	(146)	458	170	3,107
General State Charges	7,357	(267)	7,090	(154)	1,588	117	8,641
Transfers to Other Funds:							
Debt Service	1,074	(7)	1,067	(38)	0	0	1,029
Capital Projects	3,479	(97)	3,382	247	0	(416)	3,213
State Share of Mental Hygiene Medicaid	1,119	0	1,119	(16)	(1,103)	0	0
SUNY Operations	1,001	20	1,021	0	0	0	1,021
Other Purposes	5,483	(15)	5,468	318	(4,604)	0	1,182
Total Disbursements	84,772	(322)	84,450	(1,747)	643	38	83,384
Use (Reservation) of Fund Balance:							
Extraordinary Monetary Settlements	653	0	653	172	0	0	825
Total Use (Reservation) of Fund Balance	653	0	653	172	0	0	825
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)							
	(7,512)	(541)	(8,053)	2,864	0	0	(5,189)
Adherence to 2% Spending Benchmark*							
	7,955	(222)	7,733	(2,973)	0	0	4,760
Net General Fund Surplus (Deficit)	443	(763)	(320)	(109)	0	0	(429)

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Source: NYS DOB.

CASH RECEIPTS CURRENT STATE RECEIPTS GENERAL FUND FY 2019 THROUGH FY 2022 (millions of dollars)				
	FY 2019	FY 2020	FY 2021	FY 2022
	Projected	Projected	Projected	Projected
Taxes:				
Withholdings	41,314	42,557	43,543	45,651
Estimated Payments	14,921	18,369	18,012	19,176
Final Payments	2,599	2,748	2,908	3,032
Other Payments	1,500	1,564	1,601	1,671
Gross Collections	60,334	65,238	66,064	69,530
State/City Offset	(873)	(799)	(824)	(849)
Refunds	(10,217)	(11,233)	(10,424)	(11,443)
Reported Tax Collections	49,244	53,206	54,816	57,238
STAR (Dedicated Deposits)	(2,410)	(2,322)	(2,261)	(2,217)
RBTF (Dedicated Transfers)	(24,622)	(26,603)	(27,408)	(28,619)
Personal Income Tax	22,212	24,281	25,147	26,402
Sales and Use Tax	14,279	14,934	15,496	16,070
Cigarette and Tobacco Taxes	346	348	337	328
Motor Fuel Tax	0	0	0	0
Alcoholic Beverage Taxes	267	272	276	281
Medical Marihuana Excise Tax	0	0	0	0
Highway Use Tax	0	0	0	0
Auto Rental Tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Consumption/Use Taxes	14,892	15,554	16,109	16,679
LGAC/STBF (Dedicated Transfers)	(7,140)	(7,467)	(7,748)	(8,035)
Consumption/Use Taxes	7,752	8,087	8,361	8,644
Corporation Franchise Tax	3,539	4,083	4,174	4,248
Corporation and Utilities Tax	540	550	556	562
Insurance Taxes	1,668	1,749	1,877	1,956
Bank Tax	122	60	0	0
Petroleum Business Tax	0	0	0	0
Business Taxes	5,869	6,442	6,607	6,766
Estate Tax	1,033	1,092	1,155	1,220
Real Estate Transfer Tax	1,212	1,269	1,303	1,340
Employer Compensation Expense Tax	TBD	TBD	TBD	TBD
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	15	15	15	15
Other Taxes	3	3	3	3
Gross Other Taxes	2,263	2,379	2,476	2,578
Real Estate Transfer Tax (Dedicated)	(1,212)	(1,269)	(1,303)	(1,340)
RBTF (Dedicated Transfers)	TBD	TBD	TBD	TBD
Other Taxes	1,051	1,110	1,173	1,238
Payroll Tax	0	0	0	0
Total Taxes	36,884	39,920	41,288	43,050
Licenses, Fees, Etc.	670	692	676	676
Abandoned Property	450	450	450	450
Motor Vehicle Fees	269	285	280	210
ABC License Fee	66	66	62	68
Reimbursements	107	109	107	53
Investment Income	10	8	8	8
Extraordinary Settlements	0	0	0	0
Other Transactions	447	418	418	417
Miscellaneous Receipts	2,019	2,028	2,001	1,882
Federal Receipts	0	0	0	0
Total	38,903	41,948	43,289	44,932

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2018 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,749	3,732	144	11,625
Receipts:				
Taxes	49,442	7,631	20,546	77,619
Miscellaneous Receipts	2,946	16,962	470	20,378
Federal Receipts	0	1	73	74
Total Receipts	52,388	24,594	21,089	98,071
Disbursements:				
Local Assistance	46,501	19,293	0	65,794
State Operations:				
Personal Service	5,975	7,051	0	13,026
Non-Personal Service	2,217	3,450	42	5,709
General State Charges	5,650	2,326	0	7,976
Debt Service	0	0	5,621	5,621
Capital Projects	0	0	0	0
Total Disbursements	60,343	32,120	5,663	98,126
Other Financing Sources (Uses):				
Transfers from Other Funds	19,053	7,966	3,878	30,897
Transfers to Other Funds	(9,680)	(909)	(19,300)	(29,889)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	9,373	7,057	(15,422)	1,008
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	1,418	(469)	4	953
Closing Fund Balance	9,167	3,263	148	12,578

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2019 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	9,167	3,263	148	12,578
Receipts:				
Taxes	36,884	6,289	32,855	76,028
Miscellaneous Receipts	2,019	17,510	465	19,994
Federal Receipts	0	1	73	74
Total Receipts	38,903	23,800	33,393	96,096
Disbursements:				
Local Assistance	49,938	16,475	0	66,413
State Operations:				
Personal Service	8,624	4,805	0	13,429
Non-Personal Service	2,904	2,999	47	5,950
General State Charges	7,597	952	0	8,549
Debt Service	0	0	5,636	5,636
Capital Projects	0	0	0	0
Total Disbursements	69,063	25,231	5,683	99,977
Other Financing Sources (Uses):				
Transfers from Other Funds	32,298	2,118	3,635	38,051
Transfers to Other Funds	(6,185)	(755)	(31,339)	(38,279)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	26,113	1,363	(27,704)	(228)
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(4,047)	(68)	6	(4,109)
Closing Fund Balance	5,120	3,195	154	8,469

Source: NYS DOB.

CASH FINANCIAL PLAN				
STATE OPERATING FUNDS BUDGET				
FY 2020				
(millions of dollars)				
	General	State Special	Debt	State
	Fund	Revenue	Service	Operating
	Fund	Funds	Funds	Funds
	Fund	Funds	Funds	Total
Receipts:				
Taxes	39,920	6,318	35,220	81,458
Miscellaneous Receipts	2,028	17,003	469	19,500
Federal Receipts	0	1	73	74
Total Receipts	41,948	23,322	35,762	101,032
Disbursements:				
Local Assistance	53,087	15,921	0	69,008
State Operations:				
Personal Service	8,905	4,876	0	13,781
Non-Personal Service	3,068	2,756	47	5,871
General State Charges	8,132	988	0	9,120
Debt Service	0	0	6,969	6,969
Capital Projects	0	0	0	0
Total Disbursements	73,192	24,541	7,016	104,749
Other Financing Sources (Uses):				
Transfers from Other Funds	33,208	2,138	3,767	39,113
Transfers to Other Funds	(6,525)	(499)	(32,507)	(39,531)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	26,683	1,639	(28,740)	(418)
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	1,090	0	0	1,090
Total Use (Reservation) of Fund Balance	1,090	0	0	1,090
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(3,471)	420	6	(3,045)
Adherence to 2% Spending Benchmark*	2,659	0	0	2,659
Net Surplus (Deficit)	(812)	420	6	(386)
* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).				
Source: NYS DOB.				

CASH FINANCIAL PLAN				
STATE OPERATING FUNDS BUDGET				
FY 2021				
(millions of dollars)				
	General	State Special	Debt	State
	Fund	Revenue	Service	Operating
	Fund	Funds	Funds	Funds
				Total
Receipts:				
Taxes	41,288	6,288	36,340	83,916
Miscellaneous Receipts	2,001	16,859	469	19,329
Federal Receipts	0	1	73	74
Total Receipts	43,289	23,148	36,882	103,319
Disbursements:				
Local Assistance	55,780	15,825	0	71,605
State Operations:				
Personal Service	9,411	5,063	0	14,474
Non-Personal Service	3,107	2,776	47	5,930
General State Charges	8,641	1,056	0	9,697
Debt Service	0	0	7,186	7,186
Capital Projects	0	0	0	0
Total Disbursements	76,939	24,720	7,233	108,892
Other Financing Sources (Uses):				
Transfers from Other Funds	34,081	2,218	3,742	40,041
Transfers to Other Funds	(6,445)	(392)	(33,384)	(40,221)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	27,636	1,826	(29,642)	(180)
Use (Reservation) of Fund Balance:				
Extraordinary Monetary Settlements	825	0	0	825
Total Use (Reservation) of Fund Balance	825	0	0	825
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)	(5,189)	254	7	(4,928)
Adherence to 2% Spending Benchmark*	4,760	0	0	4,760
Net Surplus (Deficit)	(429)	254	7	(168)
* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).				
Source: NYS DOB.				

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2018 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	<u>7,749</u>	<u>4,272</u>	<u>(1,060)</u>	<u>144</u>	<u>11,105</u>
Receipts:					
Taxes	49,442	7,631	1,333	20,546	78,952
Miscellaneous Receipts	2,946	17,121	7,292	470	27,829
Federal Receipts	0	55,434	2,270	73	57,777
Total Receipts	<u>52,388</u>	<u>80,186</u>	<u>10,895</u>	<u>21,089</u>	<u>164,558</u>
Disbursements:					
Local Assistance	46,501	70,616	4,769	0	121,886
State Operations:					
Personal Service	5,975	7,668	0	0	13,643
Non-Personal Service	2,217	4,829	0	42	7,088
General State Charges	5,650	2,643	0	0	8,293
Debt Service	0	0	0	5,621	5,621
Capital Projects	0	0	7,906	0	7,906
Total Disbursements	<u>60,343</u>	<u>85,756</u>	<u>12,675</u>	<u>5,663</u>	<u>164,437</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	19,053	7,978	2,393	3,878	33,302
Transfers to Other Funds	(9,680)	(3,034)	(1,398)	(19,300)	(33,412)
Bond and Note Proceeds	0	0	788	0	788
Net Other Financing Sources (Uses)	<u>9,373</u>	<u>4,944</u>	<u>1,783</u>	<u>(15,422)</u>	<u>678</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>1,418</u>	<u>(626)</u>	<u>3</u>	<u>4</u>	<u>799</u>
Closing Fund Balance	<u>9,167</u>	<u>3,646</u>	<u>(1,057)</u>	<u>148</u>	<u>11,904</u>

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2019 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	<u>9,167</u>	<u>3,646</u>	<u>(1,057)</u>	<u>148</u>	<u>11,904</u>
Receipts:					
Taxes	36,884	6,289	1,401	32,855	77,429
Miscellaneous Receipts	2,019	17,712	7,703	465	27,899
Federal Receipts	<u>0</u>	<u>55,376</u>	<u>2,429</u>	<u>73</u>	<u>57,878</u>
Total Receipts	<u>38,903</u>	<u>79,377</u>	<u>11,533</u>	<u>33,393</u>	<u>163,206</u>
Disbursements:					
Local Assistance	49,938	67,797	5,505	0	123,240
State Operations:					
Personal Service	8,624	5,432	0	0	14,056
Non-Personal Service	2,904	4,445	0	47	7,396
General State Charges	7,597	1,275	0	0	8,872
Debt Service	0	0	0	5,636	5,636
Capital Projects	<u>0</u>	<u>0</u>	<u>8,985</u>	<u>0</u>	<u>8,985</u>
Total Disbursements	<u>69,063</u>	<u>78,949</u>	<u>14,490</u>	<u>5,683</u>	<u>168,185</u>
Other Financing Sources (Uses):					
Transfers from Other Funds	32,298	2,130	3,580	3,635	41,643
Transfers to Other Funds	(6,185)	(2,894)	(1,369)	(31,339)	(41,787)
Bond and Note Proceeds	<u>0</u>	<u>0</u>	<u>718</u>	<u>0</u>	<u>718</u>
Net Other Financing Sources (Uses)	<u>26,113</u>	<u>(764)</u>	<u>2,929</u>	<u>(27,704)</u>	<u>574</u>
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	<u>(4,047)</u>	<u>(336)</u>	<u>(28)</u>	<u>6</u>	<u>(4,405)</u>
Closing Fund Balance	<u>5,120</u>	<u>3,310</u>	<u>(1,085)</u>	<u>154</u>	<u>7,499</u>

Source: NYS DOB.

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2020 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	39,920	6,318	1,420	35,220	82,878
Miscellaneous Receipts	2,028	17,162	6,497	469	26,156
Federal Receipts	0	56,287	2,229	73	58,589
Total Receipts	41,948	79,767	10,146	35,762	167,623
Disbursements:					
Local Assistance	53,087	68,064	4,683	0	125,834
State Operations:					
Personal Service	8,905	5,507	0	0	14,412
Non-Personal Service	3,068	4,244	0	47	7,359
General State Charges	8,132	1,316	0	0	9,448
Debt Service	0	0	0	6,969	6,969
Capital Projects	0	0	7,973	0	7,973
Total Disbursements	73,192	79,131	12,656	7,016	171,995
Other Financing Sources (Uses):					
Transfers from Other Funds	33,208	2,150	3,715	3,767	42,840
Transfers to Other Funds	(6,525)	(2,290)	(1,651)	(32,507)	(42,973)
Bond and Note Proceeds	0	0	412	0	412
Net Other Financing Sources (Uses)	26,683	(140)	2,476	(28,740)	279
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	1,090	0	0	0	1,090
Total Use (Reservation) of Fund Balance	1,090	0	0	0	1,090
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(3,471)	496	(34)	6	(3,003)
Adherence to 2% Spending Benchmark*					
	2,659	0	0	0	2,659
Net Surplus (Deficit)	(812)	496	(34)	6	(344)
* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).					
Source: NYS DOB.					

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2021 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	41,288	6,288	1,418	36,340	85,334
Miscellaneous Receipts	2,001	17,020	5,735	469	25,225
Federal Receipts	0	56,954	2,187	73	59,214
Total Receipts	43,289	80,262	9,340	36,882	169,773
Disbursements:					
Local Assistance	55,780	68,278	4,079	0	128,137
State Operations:					
Personal Service	9,411	5,721	0	0	15,132
Non-Personal Service	3,107	4,231	0	47	7,385
General State Charges	8,641	1,395	0	0	10,036
Debt Service	0	0	0	7,186	7,186
Capital Projects	0	0	7,315	0	7,315
Total Disbursements	76,939	79,625	11,394	7,233	175,191
Other Financing Sources (Uses):					
Transfers from Other Funds	34,081	2,230	3,429	3,742	43,482
Transfers to Other Funds	(6,445)	(2,153)	(1,640)	(33,384)	(43,622)
Bond and Note Proceeds	0	0	243	0	243
Net Other Financing Sources (Uses)	27,636	77	2,032	(29,642)	103
Use (Reservation) of Fund Balance:					
Extraordinary Monetary Settlements	825	0	0	0	825
Total Use (Reservation) of Fund Balance	825	0	0	0	825
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(5,189)	714	(22)	7	(4,490)
Adherence to 2% Spending Benchmark*					
	4,760	0	0	0	4,760
Net Surplus (Deficit)	(429)	714	(22)	7	270

* Represents calculated savings from limiting annual spending growth in future years to 2 percent and assumes all savings from holding spending growth to 2 percent are made available to the General Fund. The calculated savings is based on the current FY 2018 SOF spending estimate. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Total disbursements in Financial Plan tables and discussions do not reflect these savings. If the 2 percent State Operating Funds spending growth benchmark is not adhered to, the projected budget gaps would be higher (or the projected surpluses lower).

Source: NYS DOB.

CASHFLOW
GENERAL FUND
FY 2018
(dollars in millions)

	2017 April Results	May Results	June Results	July Results	August Results	September Results	October Results	November Results	December Results	2018 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,749	7,405	3,140	3,014	3,774	3,883	6,523	6,363	4,509	10,145	14,732	14,727	7,749
RECEIPTS:													
Personal Income Tax	3,751	1,576	3,431	1,987	2,292	3,536	2,016	1,782	4,991	6,008	2,147	2,099	35,616
Consumption/Use Taxes	522	539	731	582	567	737	570	603	743	610	493	689	7,386
Business Taxes	421	137	770	55	376	782	(46)	18	1,141	(139)	(112)	1,705	5,108
Other Taxes	91	114	103	66	86	214	77	73	154	180	87	87	1,332
Total Taxes	4,785	2,366	5,035	2,690	3,321	5,269	2,617	2,476	7,029	6,659	2,615	4,580	49,442
Abandoned Property	0	0	0	0	1	64	5	170	21	24	0	165	450
ABC License Fee	6	6	6	5	6	6	7	4	5	5	6	5	67
Investment Income	4	1	2	1	2	2	4	4	3	4	4	(1)	30
Licenses, Fees, etc.	27	73	36	51	36	77	63	36	89	61	35	81	665
Motor Vehicle Fees	36	29	31	(5)	34	7	18	16	5	15	23	23	232
Reimbursements	2	23	37	9	24	26	11	28	23	25	15	50	273
Extraordinary Settlements	0	350	0	0	0	231	0	137	0	60	0	33	811
Other Transactions	20	31	52	51	24	106	45	36	82	26	32	(87)	418
Total Miscellaneous Receipts	95	513	164	112	127	519	153	431	228	220	115	269	2,946
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,249	509	1,162	455	356	1,400	674	396	1,687	965	691	1,473	11,017
Tax in Excess of LGAC	234	54	508	263	226	341	260	274	346	276	0	320	3,102
Sales Tax Bond Fund	179	186	280	205	210	310	196	211	282	212	164	326	2,761
Real Estate Taxes in Excess of CW/CA Debt Service	81	95	89	84	86	93	65	80	62	78	82	71	966
All Other	10	2	3	6	5	94	12	40	94	64	171	706	1,207
Total Transfers from Other Funds	1,753	846	2,042	1,013	883	2,238	1,207	1,001	2,471	1,595	1,108	2,896	19,053
TOTAL RECEIPTS	6,633	3,725	7,241	3,815	4,331	8,026	3,977	3,908	9,728	8,474	3,838	7,745	71,441
DISBURSEMENTS:													
School Aid	868	3,358	1,878	38	570	1,753	801	1,563	1,845	540	644	8,438	22,296
Higher Education	19	37	954	221	128	181	93	37	188	27	371	570	2,826
All Other Education	95	484	75	158	56	49	61	407	83	34	261	470	2,233
Medicaid - DOH	1,376	1,408	1,370	1,165	1,248	1,150	1,220	1,416	994	1,146	337	531	13,361
Public Health	68	177	50	63	44	36	35	42	30	14	39	110	708
Mental Hygiene	2	3	184	(1)	2	216	0	0	65	116	123	63	773
Children and Families	36	101	194	71	23	134	70	73	170	45	240	492	1,649
Temporary & Disability Assistance	95	112	143	92	93	67	63	67	63	63	233	158	1,249
Transportation	0	25	14	0	25	0	0	24	11	0	13	2	114
Unrestricted Aid	0	11	388	2	0	102	7	2	182	1	1	65	761
All Other	11	16	90	30	74	31	15	50	(29)	95	86	62	531
Total Local Assistance	2,570	5,732	5,340	1,839	2,263	3,719	2,365	3,681	3,602	2,081	2,348	10,961	46,501
Personal Service	485	642	475	466	565	477	498	622	488	441	466	350	5,975
Non-Personal Service	91	226	185	142	212	179	181	182	128	214	227	250	2,217
Total State Operations	576	868	660	608	777	656	679	804	616	655	693	600	8,192
General State Charges	2,398	292	409	347	41	514	396	86	404	225	194	344	5,650
Debt Service	274	(1)	2	148	14	(87)	362	(3)	0	421	(20)	(73)	1,037
Capital Projects	310	268	438	(602)	495	437	(270)	370	(791)	247	466	636	2,004
State Share Medicaid	100	138	98	64	151	95	63	162	92	122	121	108	1,314
SUNY Operations	218	218	218	181	0	0	0	181	(1)	0	0	7	1,022
Other Purposes	531	475	202	470	481	52	542	481	170	136	41	722	4,303
Total Transfers to Other Funds	1,433	1,098	958	261	1,141	497	697	1,191	(530)	926	608	1,400	9,680
TOTAL DISBURSEMENTS	6,977	7,990	7,367	3,055	4,222	5,386	4,137	5,762	4,092	3,887	3,843	13,305	70,023
Excess/(Deficiency) of Receipts over Disbursements	(344)	(4,265)	(126)	760	109	2,640	(160)	(1,854)	5,636	4,587	(5)	(5,560)	1,418
CLOSING BALANCE	7,405	3,140	3,014	3,774	3,883	6,523	6,363	4,509	10,145	14,732	14,727	9,167	9,167

Source: NYS DOB.

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New York State Annual Information Statement

June 20, 2017

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Introduction

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This Annual Information Statement (AIS) is dated June 20, 2017 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 29, 2016 and all updates and supplements issued in connection therewith. This AIS is scheduled to be updated on a quarterly basis and may be supplemented from time to time as developments warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. Information on the State’s current financial projections, including summaries and extracts from the State’s fiscal year 2018 (FY 2018)¹ Enacted Budget Financial Plan (the “Enacted Budget Financial Plan”), issued by the Division of the Budget (DOB) in May 2017. The Enacted Budget Financial Plan sets forth the State’s official financial projections for FY 2018 through FY 2021. It includes, among other things, information on the major components of the FY 2018 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 Enacted Budget Financial Plan does not reflect the May 24, 2017 consent order between the State Department of Financial Services (DFS) and BNP Paribas S.A. and BNP Paribas S.A. New York Branch (together “BNPP”), pursuant to which BNPP has paid a \$350 million civil monetary penalty to DFS pursuant to Banking Law Section 44 for engaging in improper, unsafe and unsound conduct, in violation of New York State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers. DOB next expects to update the State’s multi-year financial projections in July 2017 with the First Quarterly Update to the Financial Plan.
2. A discussion of issues and risks that may affect the State’s financial projections during 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 that has the potential to adversely affect the State’s finances.

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

¹ The State fiscal year is identified by the calendar year in which it ends. For example, FY 2018 is the FY that began on April 1, 2017 and ends on March 31, 2018.

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

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections, or other information relating to the State's financial position or condition, including potential operating results for the current fiscal year and projected budget gaps for future fiscal years, that may vary materially from the information provided in this AIS, 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", "assumes" 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 2017 financial results contained within this AIS are unaudited and preliminary.

The annual independent audit of the State's Basic Financial Statements is expected to be completed by July 29, 2017. 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, 2017. These reports will contain the final FY 2017 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 2016 are available in electronic form at www.osc.state.ny.us and at www.emma.msrb.org.

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

Usage Notice

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

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

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

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Budgetary and Accounting Practices

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Significant Budgetary/Accounting Practices

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

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

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

From time to time, DOB will informally designate unrestricted balances in the General Fund for specific purposes (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 a significant amount of financial activity occurs in funds outside of the General Fund, State Operating Funds is, in DOB's view, a more comprehensive measure of State-funded activities for operating purposes that are funded with State resources (e.g., taxes, assessments, fees, tuition). The State Operating Funds perspective 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's adherence to a 2 percent annual spending growth limitation is calculated on the State Operating Funds basis.

As described later in this AIS, the Enacted Budget Financial Plan reflects some actions that are expected to reduce the amount of annual spending that is accounted for in the State Operating Funds basis of reporting, including (i) realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget, (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting, and (iii) the restructuring of the STAR program such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, it would add upward pressure to annual spending growth in State Operating Funds.

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

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

State Finance Law also requires DOB to prepare a pro forma financial plan using, to the extent practicable, generally accepted accounting principles (GAAP), although this requirement is for informational purposes. GAAP is a financial reporting regime, not a budgeting system. Thus, 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.

The Enacted Budget Financial Plan projections for future years may show budget gaps or budget surpluses in the General Fund. Budget gaps represent the difference between: (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain current services levels and specific commitments, and (b) the projected level of resources, including transfers from other funds, to pay for these disbursements. The General Fund projections are based on a number of assumptions and are developed by the DOB in conjunction with other State agencies. Some projections are based on specific, known information (e.g., a statutory requirement to increase payments to a prescribed level), while others are based on more uncertain or

speculative information (e.g., the pace at which a new program will enroll recipients). In general, the Enacted Budget Financial Plan assumes that money appropriated in one fiscal year will continue to be appropriated in future years, even for programs that were not created in permanent law and that the State has no obligation to fund. Funding levels for nearly all State programs are reviewed annually, taking into account the current and projected fiscal position of the State.

The Enacted Budget Financial Plan projections for FY 2019 and thereafter, set forth in this AIS, reflect the savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets that limit annual growth in State Operating Funds spending, as State Operating Funds is currently constituted in this AIS, to no greater than 2 percent.² Total disbursements in the Enacted Budget Financial Plan tables and narrative, contained in this AIS, do not reflect these assumed savings, which are instead reflected on a distinct line and labeled as “Adherence to 2 Percent Spending Benchmark.” Enacted Budget Financial Plan projections are subject to many risks and uncertainties, as well as future budgetary decisions and other factors not known at this time. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

² Differences may occur from time to time between the State's Financial Plan and OSC's financial reports in the presentation and reporting of receipts and disbursements. For example, the Enacted Budget Financial Plan and the AIS may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. If such differences in reporting between DOB and OSC occur, this could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total State Operating Funds and total All Governmental Funds.

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Financial Plan Overview

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The following table provides certain Financial Plan information for FY 2017 and FY 2018.

FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES (millions of dollars)				
	FY 2017		FY 2018	
	Revised ¹	Results	Executive Amended ²	Enacted
State Operating Funds Disbursements				
Size of Budget	\$96,200	\$96,199	\$98,062	\$98,134
Annual Growth	2.0%	2.0%	1.9%	2.0%
Other Disbursement Measures				
General Fund (Excluding Transfers)	\$58,570	\$57,988	\$61,293	\$61,035
Annual Growth	3.4%	2.3%	5.7%	5.3%
General Fund (Including Transfers) ³	\$69,692	\$68,080	\$72,398	\$71,199
Annual Growth	2.4%	0.1%	6.3%	4.6%
State Funds (Including Capital)	\$105,306	\$104,029	\$110,200	\$109,396
Annual Growth	4.0%	2.8%	5.9%	5.2%
Capital Budget (Federal and State)	\$10,903	\$10,156	\$13,845	\$13,111
Annual Growth	21.4%	13.1%	36.3%	29.1%
Federal Operating Aid ⁴	\$40,178	\$41,397	\$40,458	\$41,625
Annual Growth	-1.0%	2.0%	-2.3%	0.6%
All Funds ^{4,5}	\$147,281	\$147,752	\$152,365	\$152,870
Annual Growth	2.4%	2.7%	3.1%	3.5%
Capital Budget (Including "Off-Budget" Capital ⁶)	\$11,615	\$10,737	\$14,602	\$13,794
Annual Growth	21.6%	12.4%	36.0%	28.5%
All Funds (Including "Off-Budget" Capital ^{4,6})	\$147,993	\$148,333	\$153,122	\$153,553
Annual Growth	2.5%	2.7%	3.2%	3.5%
Inflation (CPI)	1.7%	1.6%	2.6%	2.2%
All Funds Receipts				
Taxes	\$74,973	\$74,372	\$79,534	\$77,926
Annual Growth	0.4%	-0.4%	6.9%	4.8%
Miscellaneous Receipts	\$26,175	\$26,594	\$26,611	\$26,509
Annual Growth	-4.0%	-2.5%	0.1%	-0.3%
Federal Grants ⁴	\$44,001	\$46,144	\$44,370	\$45,884
Annual Growth	-1.1%	3.7%	-3.8%	-0.6%
Total Receipts ^{4,5}	\$145,149	\$147,110	\$150,515	\$150,319
Annual Growth	-0.9%	0.5%	2.3%	2.2%
General Fund Cash Balance	<u>\$7,232</u>	<u>\$7,749</u>	<u>\$5,917</u>	<u>\$6,384</u>
Tax Stabilization/Rainy Day Reserve	\$1,798	\$1,798	\$1,948	\$1,798
Extraordinary Monetary Settlements	\$4,860	\$5,335	\$3,256	\$3,870
All Other Reserves/Fund Balances	\$574	\$616	\$713	\$716
Debt				
Debt Service as % All Funds Receipts	4.0%	4.1%	3.9%	3.8%
State-Related Debt Outstanding	\$50,759	\$50,709	\$53,468	\$52,337
Debt Outstanding as % Personal Income	4.2%	4.2%	4.2%	4.2%
State Workforce FTEs (Subject to Direct Executive Control) - All Funds	118,809	117,909	118,673	118,481

¹ Updated as part of the FY 2018 Executive Budget, as amended.

² The annual percentage change calculations in the FY 2018 "Executive Amended" column have been updated for FY 2017 results.

³ Annual growth includes planned transfer of Extraordinary Monetary Settlements from the General Fund to other funds.

⁴ All Funds and Federal Operating Funds receipts and disbursements exclude: (a) Federal disaster aid for Superstorm Sandy, and (b) additional Federal aid associated with Federal health care reform. Federal grants reimburse certain transactions accounted for as transfers, not shown in disbursement totals in this table.

⁵ All Funds disbursements are expected to exceed receipts by \$2.6 billion in FY 2018. The financing sources for the difference primarily include \$1.5 billion of monetary settlements and nearly \$1.0 billion in GO bond proceeds to reimburse planned first-instance capital spending.

⁶ Represents capital spending that occurs outside the All Funds budget financed directly from State-supported bond proceeds held by public authorities.

General Fund Cash Basis Financial Plan

Summary of Preliminary Unaudited Results for FY 2017 (Ended March 31, 2017)

The receipt of extraordinary monetary settlements ("Extraordinary Monetary Settlements")³ continues to affect the State's receipts and cash position.⁴ The following table summarizes the variance between the revised FY 2017 estimate ("Revised FY 2017 Estimate"), as included with the FY 2018 Executive Budget Financial Plan, as amended (the "Executive Budget Financial Plan") (dated February 2017) and unaudited FY 2017 year-end results, with and without Extraordinary Monetary Settlements (beyond the Extraordinary Monetary Settlement amounts annually budgeted in the General Fund for operating purposes).

FY 2017 GENERAL FUND FINANCIAL PLAN			
SUMMARY OF CHANGES FROM EXECUTIVE BUDGET			
(millions of dollars)			
	Revised Plan	Results	Variance
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,634	0
Receipts	66,838	65,743	(1,095)
Tax Receipts	62,969	62,264	(705)
Miscellaneous Receipts/Other Non-Tax Revenue ¹	3,869	3,479	(390)
Disbursements	67,100	65,963	(1,137)
Local Assistance	44,826	44,439	(387)
Agency Operations	13,744	13,549	(195)
Transfers to Other Funds ¹	8,530	7,975	(555)
Net Change in Operations	(262)	(220)	42
Closing Fund Balance (Excluding Extraordinary Monetary Settlements)	2,372	2,414	42
Extraordinary Monetary Settlements ¹			
Settlements on Hand as of April 1, 2016	6,300	6,300	0
New Settlements Received in FY 2017	1,317	1,317	0
Transfers/Uses	(2,757)	(2,282)	475
Closing Balance	4,860	5,335	475
Closing Fund Balance (Including Extraordinary Monetary Settlements)	7,232	7,749	517

¹ Miscellaneous receipts include \$102 million in Extraordinary Monetary Settlement money budgeted for operating purposes. New settlements received reflect the gross value of monetary settlements paid to the State and the uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.

³ Extraordinary Monetary Settlements are as detailed in the table under the "Financial Plan Overview - Extraordinary Monetary Settlements" section later in this AIS.

⁴ The sources and uses of Extraordinary Monetary Settlements are described in more detail later in this AIS.

As shown in the preceding table, the State ended FY 2017 with a General Fund cash balance of \$7.7 billion, including the Extraordinary Monetary Settlements. The closing balance was \$517 million higher than the Revised FY 2017 Estimate. Most of the variance was due to the timing of transfers of Extraordinary Monetary Settlements from the General Fund to other funds. DOB intends to continue to process the transfers on an as-needed basis over the multi-year plan as spending from DIIF and other funds occurs.

FY 2017 Year-End Results, Excluding Extraordinary Monetary Settlements

The following discussion of balances, receipts, and disbursements exclude the receipts and use of Extraordinary Monetary Settlements, unless otherwise noted. The General Fund tables later in this AIS include Extraordinary Monetary Settlements.

Excluding Extraordinary Monetary Settlements, the State ended FY 2017 in balance on a General Fund basis. Disbursements exceeded receipts by \$220 million, which was funded by the planned use of reserves set aside for labor contracts (\$140 million), resources carried in from FY 2016 (\$73 million), and use of Community Projects Fund resources to support spending reappropriated from that subfund within the General Fund (\$7 million).

General Fund receipts, including transfers from other funds, totaled \$65.7 billion or \$1.1 billion lower than the Revised FY 2017 Estimate. The variance was mainly due to lower business tax collections (\$810 million) resulting from shortfalls in audit collections and cash payments associated with final tax year 2015 returns. PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, were \$115 million higher than the Revised FY 2017 Estimate, reflecting lower refunds and STAR deposits, partially offset by lower withholding and final returns.

General Fund non-tax receipts and transfers to the General Fund from other funding sources were \$390 million below the Revised FY 2017 Estimate. Several transfers from other funds, initially planned for the end of FY 2017, were not actually needed for operating purposes in FY 2017, and these transfers to the General Fund are now scheduled for FY 2018.

General Fund disbursements, including transfers to other funds, totaled \$66 billion in FY 2017, a decrease of \$1.1 billion from the Revised FY 2017 Estimate. The lower spending in both local assistance and agency operations was due in large part to the cautious estimation of General Fund expenses. In local assistance, disbursements for higher education, community school grant programs, and a range of other programs fell below planned levels.

In agency operations, including fringe benefits and fixed costs, lower spending occurred across many agencies with the most significant variance in DOH.

Transfers to capital projects funds were lower than estimated, reflecting both the pace of capital projects spending and the use of bond proceeds to reimburse first-instance capital spending.

In comparison to the AIS Update dated March 7, 2017, the State paid an additional \$210 million in debt service that was due in FY 2018. The pre-payments are reflected in the totals for tax receipts reported above. The payment of FY 2018 expenses during FY 2017 totaled \$490 million.

Excluding Extraordinary Monetary Settlements, the State ended FY 2017 with a General Fund closing balance of \$2.4 billion. The balance consists of \$1.8 billion in the State's Rainy Day Funds, \$56 million in the Community Projects Fund, and \$21 million in the Contingency Reserve Fund. In addition, the balance included \$500 million set aside for debt management, \$25 million for costs of retroactive labor agreements, and an undesignated balance of \$14 million.

The closing balance, excluding Extraordinary Monetary Settlements, was \$42 million higher than the Revised FY 2017 Estimate. This change reflects \$25 million for FY 2017 salary payments for Management/Confidential (M/C) employees that did not occur in FY 2017 but will now be paid in

the first quarter of FY 2018, \$14 million from delays of certain payments, and \$3 million more in the Community Projects Fund due to lower spending.

Budget Negotiations and Subsequent Events

In developing the Executive Budget proposal for FY 2018, DOB estimated that the State faced a budget gap of \$3.5 billion for FY 2018. Budget gaps represent the difference between (a) the projected General Fund disbursements, including transfers to other funds, needed to maintain anticipated service levels and specific commitments, and (b) the expected level of resources to pay for them. The estimates are based on a number of assumptions and projections developed by the DOB in consultation with other State agencies.

The Governor submitted the FY 2018 Executive Budget proposal to the Legislature on January 17, 2017, and amendments to it on February 16, 2017 (the "Executive Budget"), as permitted by law. DOB estimated that, if enacted without modification, the Executive Budget proposal would have provided for balanced operations in the General Fund, as required by law, and limited annual spending growth in State Operating Funds to less than 2 percent, consistent with the spending benchmark established by the current administration.

Legislative Action on the Executive Budget

The Legislature completed action on the appropriations and accompanying legislation that comprise the FY 2018 Enacted Budget (the "Enacted Budget") on April 9, 2017. Consistent with past practice, the Legislature enacted the annual debt service appropriations in advance of the other appropriations (the debt service appropriations were passed on March 28, 2017). The Governor completed his review of all FY 2018 budget bills, including exercising his line-item veto of certain appropriations added by the Legislature, on April 20, 2017.

During budget negotiations, the Executive and Legislature agreed to \$718 million in General Fund additions, spending restorations, and tax law changes to the Executive Budget proposal. The Enacted Budget agreement added \$272 million in Foundation Aid funding for School Aid above the Executive proposal (a net increase of \$86 million on a State Fiscal Year basis)⁵, bringing the annual Foundation Aid increase to \$700 million. Other spending additions of \$304 million were approved to fund a range of purposes, including education, higher education, and human services, as well as a wage increase for direct care and clinical care workers. Executive cost containment proposals that were not approved added \$157 million in costs in FY 2018. Lastly, several tax and revenue proposals were not approved or were modified in a manner that will yield less revenue than proposed, reducing the available resources by \$171 million in FY 2018.

The Enacted Budget includes, among others, the following Executive initiatives: a new scholarship program to allow families and individuals earning up to \$125,000 per year to attend college tuition-free at all public universities in New York State (Excelsior Scholarship); juvenile justice reform,

⁵ The Legislature added \$122 million on a school year basis. In addition, the Executive Budget Financial Plan included \$150 million in School Aid on a school year basis for allocation by the Legislature. The \$150 million was also added to Foundation Aid as part of the Enacted Budget Financial Plan.

which raises, over a period of time, the age of criminal responsibility for juveniles from 16 to 18; and reforms to the State's indigent criminal defense system. In addition, both the current top income tax rate (proposed to be extended for three years in the Executive Budget), and the cap on charitable deductions made by high-income taxpayers (proposed to be made permanent in the Executive Budget), were extended for two years as part of the Enacted Budget.

DOB estimates that the Enacted Budget is balanced on a cash basis in the General Fund, as required by law, and limits the expected annual growth in State Operating Funds spending to 2 percent, consistent with the spending benchmark. The Enacted Budget projections reflect the changes to the Executive Budget proposal made during negotiations, updated data on economic activity and tax receipts, and operating results for FY 2017.

New Costs and Resource Reductions

Based on its review of March and April 2017 tax collections, DOB has lowered its estimates for tax receipts in each fiscal year of the multi-year financial plan by approximately \$1.5 billion compared to the Executive Budget Financial Plan. The downward revisions, which are concentrated in PIT and business tax receipts, appear to be due in large part to taxpayer behavior in response to real and potential changes in State and Federal tax law. For PIT collections, which have been reduced by \$1.3 billion⁶ in FY 2018, taxpayers and employers appear to have been anticipating that the Federal government will lower personal income tax rates in 2017, prompting a shift of capital gains from 2016 to 2017. It now appears that the extent of that shift likely exceeded DOB's estimates in the Executive Budget Financial Plan. For business tax collections, which have been reduced by \$237 million in FY 2018, it appears that taxpayers responded to the State corporate tax reforms enacted in 2014 by overpaying their tax liability in calendar year 2015 to avoid future penalties, and are now reconciling the amounts owed by reducing payments in calendar years 2016 and 2017. As described later in this AIS, the potential for major changes in Federal tax and expenditure policy will continue to present risks to the State's economic and receipts forecasts.

In addition to tax receipts, DOB has updated its calculation of the amounts due to the General Fund from other funds for fringe benefit costs. This recalculation, which is based on FY 2017 experience, results in higher General Fund fringe benefit costs of \$34 million in FY 2018 and roughly \$60 million in each fiscal year thereafter.

New Savings and Resources

The Enacted Budget Financial Plan includes savings and resources in FY 2018 that DOB estimates will be sufficient both to fund the negotiated additions and restorations to the budget, and fully cover the new costs described above. Savings (as compared to the Executive Budget Financial Plan) include downward re-estimates to FY 2018 disbursements in most Enacted Budget Financial Plan categories based on a review of FY 2017 operating results, and the use of available resources accumulated in, and carried forward from, prior years. Specifically, local assistance aid claims for STAR, TAP and various other programs in FY 2017 were lower than expected, and this trend is expected to continue in FY 2018; debt service costs are expected to be reduced from refundings

⁶ Excludes the impact of debt service changes on transfers of PIT collections to the General Fund.

and other portfolio management; transfers to other funds will be reduced, reflecting the use of available bond proceeds to reimburse first-instance capital spending from prior years; and transfers from other funds will be increased, reflecting the use of balances programmed but not needed for General Fund purposes in prior years. In addition, General Fund disbursements, which are calculated using conservative estimates to create an informal reserve against risks, have been adjusted downward across Enacted Budget Financial Plan categories.

Other resources for FY 2018 include the General Fund use of \$461 million in cash from Extraordinary Monetary Settlements that had not been appropriated for new commitments in the Enacted Budget and savings from the payment of FY 2018 expenses in FY 2017 beyond the level assumed in the Executive Budget Financial Plan (\$210 million).

FY 2018 Closing Balance

DOB expects the State to end FY 2018 with a General Fund balance of \$6.4 billion, including Extraordinary Monetary Settlement funds, a decrease of \$1.4 billion from FY 2017 results. The planned transfer of Extraordinary Monetary Settlements to capital projects funds is the main cause for the expected decrease in fund balance. DOB intends to transfer Extraordinary Monetary Settlements on an as-needed basis over the next five years as spending occurs from the capital projects funds where the activity funded from Extraordinary Monetary Settlements is appropriated.⁷ In addition, the Enacted Budget Financial Plan reflects the use of \$461 million in cash from Extraordinary Monetary Settlements that was not appropriated in the Enacted Budget to address the shortfall in current-year tax receipts. This amount includes \$150 million that the Executive Budget Financial Plan had earmarked for a possible deposit to the rainy day reserves, fiscal conditions permitting.

The State's general reserves (consisting of the State's rainy day reserves, the contingency reserve, and the fund balances set aside for debt management and labor costs) are expected to total \$2.5 billion at the end of FY 2018.

DOB expects the State will have sufficient liquidity in FY 2018 to make all planned payments as they become due. The State continues to reserve General Fund resources on a quarterly basis for debt service payments. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds and Sales Tax bonds, continues to be set aside as required by law and bond covenants.

Other Significant Legislation

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation approved with the Enacted Budget sets forth a process by which the State would manage significant reductions in Federal aid in the event that they should occur during FY 2018. Specifically, the legislation directs the Budget Director to prepare a corrective action plan for consideration by the Legislature in the event that (a) Federal aid for Medicaid is

⁷ Legislation enacted with the FY 2017 Budget provides transfer authority from the General Fund to the Dedicated Infrastructure Investment Fund (DIIF) through FY 2021.

reduced by \$850 million or more or (b) Federal aid for all other programs is reduced by \$850 million or more. Each limit is triggered separately and is not additive. The legislation requires that the corrective action plan uniformly reduce appropriations and cash disbursements in the General Fund and State special revenue funds. Upon receipt of the plan, the Legislature has 90 days to adopt a corrective action plan by concurrent resolution, or the plan submitted by the Budget Director would take effect automatically.

In addition, the Enacted Budget includes legislation creating a Retiree Health Benefit Trust Fund (the "Trust Fund") that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit cash in an amount not to exceed 0.5 percent of the total Other Post-Employment Benefits (OPEB) liability, as updated (the OPEB liability as of FY 2016 year-end is calculated at \$63.4 billion for the State and \$14.4 billion for the State University of New York (SUNY)). The Enacted Budget Financial Plan does not include any deposits to the Trust Fund.

FY 2018 Financial Plan

DOB estimates that the Enacted Budget Financial Plan provides for balanced operations in the General Fund in FY 2018. Excluding Extraordinary Monetary Settlement funds, estimated General Fund disbursements exceed receipts by \$516 million. The difference is financed by the use of Extraordinary Monetary Settlements that were not appropriated in the Enacted Budget (\$461 million), reserves set aside in FY 2017 to fund new labor contracts (\$25 million), resources carried in from FY 2016 (\$14 million), and Community Projects Fund resources (\$16 million).

The following table summarizes the projected annual change from FY 2017 to FY 2018 in General Fund receipts, disbursements, and fund balances, with and without the impact of Extraordinary Monetary Settlement activity.

GENERAL FUND FINANCIAL PLAN (millions of dollars)				
	FY 2017 Results	FY 2018 Enacted	Annual Change	
			Dollar	Percent
Opening Fund Balance (Excluding Extraordinary Monetary Settlements)	2,634	2,414	(220)	-8.4%
Total Receipts	<u>65,743</u>	<u>69,801</u>	<u>4,058</u>	<u>6.2%</u>
Taxes	62,264	66,466	4,202	6.7%
Miscellaneous Receipts/Federal Grants ¹	2,661	2,119	(542)	-20.4%
Transfers from Other Funds	818	1,216	398	48.7%
Total Disbursements	<u>65,963</u>	<u>70,317</u>	<u>4,354</u>	<u>6.6%</u>
Local Assistance Grants	44,439	47,069	2,630	5.9%
Agency Operations	13,549	13,966	417	3.1%
Transfers to Other Funds ¹	7,975	9,282	1,307	16.4%
Net Change in Operations	(220)	(516)	(296)	-134.5%
Deposit to/ Use Of Reserves ²	0	616	616	-
Closing Fund Balance (Excluding Extraordinary Monetary Settlements) ²	<u>2,414</u>	<u>2,514</u>	<u>100</u>	<u>4.1%</u>
Extraordinary Monetary Settlements ¹				
Settlements on Hand as of April 1	6,300	5,335	(965)	-15.3%
New Settlements Received	1,317	33	(1,284)	-97.5%
Transfers/Uses ²	<u>(2,282)</u>	<u>(1,498)</u>	<u>784</u>	<u>34.4%</u>
Closing Balance (Extraordinary Monetary Settlements)	<u>5,335</u>	<u>3,870</u>	<u>(1,465)</u>	<u>-27.5%</u>
Closing Fund Balance (Including Extraordinary Monetary Settlements)	<u>7,749</u>	<u>6,384</u>	<u>(1,365)</u>	<u>-17.6%</u>

¹ New settlements received reflect the gross value of Extraordinary Monetary Settlements paid to the State and the uses of such funds are accounted for by purpose. However, the General Fund miscellaneous receipts and transfers to other funds only exclude the amount that is received by the General Fund and transferred to other funds. Thus, it does not include any amounts retained and used for General Fund operations or Department of Law operations.

² In FY 2018, \$461 million in Extraordinary Monetary Settlements will be utilized to support ongoing operations. \$155 million will be retained in the General Fund to fund potential retroactive salary increases and is thus included in the General Fund closing balance.

As shown in the preceding table, the State expects to end FY 2018 with a General Fund cash balance of \$6.4 billion, a decrease of \$1.4 billion from FY 2017 results. DOB intends to make transfers of Extraordinary Monetary Settlements on an as-needed basis each year as spending occurs from appropriations funded with the Extraordinary Monetary Settlements. Legislation approved in the FY 2017 Enacted Budget provides transfer authority from the General Fund to the DIF through FY 2021.

Receipts (Excluding Extraordinary Monetary Settlements)

General Fund receipts estimates, including transfers from other funds, total \$69.8 billion in FY 2018, an increase of \$4.1 billion (6.2 percent) from FY 2017 results. Tax collections, including transfers of tax receipts to the General Fund after payment of debt service, total \$66.5 billion in FY 2018, an increase of \$4.2 billion (6.7 percent) from FY 2017 results.

Estimated PIT receipts, including transfers after payment of debt service on State PIT Revenue Bonds, total \$45.3 billion, an increase of \$2.5 billion (5.9 percent) from FY 2017. This primarily reflects growth in withholding and estimated payments attributable to the net effect of the first year of middle income tax cuts enacted in FY 2017 and a decline in STAR Fund deposits associated with legislation included in the Enacted Budget.

Consumption/use tax receipts, including transfers after payment of debt service on the Local Government Assistance Corporation (LGAC) and Sales Tax Revenue Bonds, are estimated to total \$13.3 billion in FY 2018, an increase of \$681 million (5.4 percent) from FY 2017, which mainly reflects projected growth in employment and taxable consumption.

Business tax receipts are estimated at \$5.7 billion in FY 2018, an increase of \$957 million (20.1 percent) from FY 2017. The significant growth is primarily attributable to the absence of one-time factors that affected FY 2017 receipts. Prior fiscal year collections were lower than planned due to lower audit receipts from corporate franchise taxpayers and a shortfall in cash payments associated with tax year 2015 final returns. These issues are not expected to recur.

Other tax receipts, including transfers after payment of debt service on Clean Water/Clean Air Bonds, are expected to total \$2.1 billion in FY 2018, an increase of \$45 million (2.2 percent) from FY 2017. This increase is mainly attributable to projected growth in the real estate transfer tax receipts due to an anticipated increase in housing starts and appreciation of home prices, partly offset by the continued phase-in of estate tax cuts.

Non-tax receipts and transfers are estimated at \$3.3 billion in FY 2018, a decrease of \$144 million (-4.1 percent) from FY 2017. The decrease includes \$250 million in State Insurance Fund (SIF) reserves released in FY 2017 that is not included in FY 2018, and the accounting of the Sales Tax Asset Receivable Corporation (STARC) debt refunding savings as an offset of the State's payment of New York City debt rather than a miscellaneous receipt. These declines are partly offset by an increase in the transfer of resources from other funds due to the accumulation of cash balances in prior years.

General Fund receipts are affected by the deposit of dedicated taxes in other funds for debt service and other purposes, the transfer of balances among funds of the State, and other factors. For a

more comprehensive discussion of the State's projections for tax receipts, miscellaneous receipts, and transfers, presented on a State Funds and All Funds basis, see "State Financial Plan Projections Fiscal Years 2018 Through 2021" herein.

Disbursements (Excluding Extraordinary Monetary Settlements)

General Fund disbursements, including transfers to other funds, are expected to total \$70.3 billion in FY 2018, an increase of \$4.4 billion (6.6 percent) from FY 2017. General Fund disbursements reflect the cautious estimation of disbursements in each financial category, a practice that provides a cushion for potential receipts shortfalls and other unanticipated costs.

Projected local assistance spending is \$47.1 billion in FY 2018, an increase of \$2.6 billion (5.9 percent) from FY 2017. The increase includes \$1.4 billion for School Aid (on a State fiscal year basis) and \$914 million for Medicaid and the Essential Plan (EP). Additional annual changes reflect anticipated growth in payments for social services, higher education, and other programs, as well as accounting reclassifications that have the effect of moving spending between financial categories and across fund types.

On a State Operating Funds basis, most executive agencies are expected to hold operations spending at FY 2017 levels (limited exceptions include DOH costs attributable to the New York State of Health (NYSOH) marketplace and the EP program). The Enacted Budget Financial Plan estimates for State Operations are affected by the reclassification to capital projects funds of certain personnel expenses related to maintenance and preservation of State assets; potential costs of unsettled labor agreements with State unions patterned on the labor contract ratified by The New York State Public Employees Federation (PEF) in December 2016; and expected savings from agency management plans. General Fund personal and non-personal service costs are expected to total \$8.2 billion in FY 2018, an increase of \$90 million (1.1 percent) from FY 2017. Operating costs for many agencies are charged to several funds outside the General Fund, and are thus affected by varying levels of offsets and accounting reclassifications.

General State Charges (GSCs), which account for fringe benefits and certain fixed costs, are expected to increase by \$327 million (6.0 percent) over FY 2017. Health insurance costs for State employees and retirees increase by \$275 million (7.4 percent), mainly due to increases in premiums. The State's annual pension payment grows by \$95 million (3.9 percent). General Fund transfers to other funds total \$9.3 billion in FY 2018, an increase of \$1.3 billion from FY 2017. Transfers for capital projects (excluding transfers funded with Extraordinary Monetary Settlements) increase by \$1.3 billion, reflecting the timing of reimbursement from bond proceeds and planned disbursements from the DHBTF.

General Fund disbursements are affected by the level of financing sources available in other funds, transfers of balances between funds of the State, and other factors that may change from year to year. For a more comprehensive discussion of the State's disbursement projections by major activity, presented on a State Operating Funds basis, see "State Financial Plan Projections Fiscal Years 2018 through 2021" herein.

Closing Balance for FY 2018

DOB projects that the State will end FY 2018 with a General Fund cash balance of \$6.4 billion, a decrease of \$1.4 billion from FY 2017. The estimated balance of Extraordinary Monetary Settlements at the close of FY 2018 is \$3.9 billion, a decrease of \$1.5 billion from FY 2017. The decrease is due to the expected transfer of \$882 million in Extraordinary Monetary Settlements to capital projects funds to support initiatives funded with Extraordinary Monetary Settlements and the use of \$461 million for operating purposes from Extraordinary Monetary Settlements not appropriated in the Enacted Budget (including \$33 million expected in June 2017 pursuant to a pending Extraordinary Monetary Settlement with Volkswagen AG, Audi AG, Porsche AG and their American subsidiaries). In addition, \$155 million in Extraordinary Monetary Settlements is set aside for labor contracts and displayed in the Financial Plan tables as "Reserved for Potential Labor Agreements." (See "Uses of Extraordinary Monetary Settlements" herein.)

The estimated General Fund cash balance, excluding Extraordinary Monetary Settlements, is \$2.5 billion at the close of FY 2018, or \$100 million higher than at the close of FY 2017. The change in the balance includes \$155 million of Extraordinary Monetary Settlements in the General Fund that DOB has informally earmarked to fund retroactive salary increases for FY 2017 that may occur in FY 2018 or later. During the fiscal year, DOB may change the purposes for which the money is currently earmarked, depending on the fiscal environment. Other changes include the planned use of reserves for the payment of retroactive salary increases for M/C employees (\$25 million), resources carried in the Community Projects Fund (\$16 million), and the undesignated fund balance carried in from FY 2017 (\$14 million).

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

TOTAL BALANCES (millions of dollars)			
	FY 2017 Results	FY 2018 Enacted	Annual Change
TOTAL GENERAL FUND BALANCE	7,749	6,384	(1,365)
General Fund Total (Excluding Extraordinary Monetary Settlements)	2,414	2,514	100
Statutory Reserves:			
"Rainy Day" Reserves	1,798	1,798	0
Community Projects	56	40	(16)
Contingency Reserve	21	21	0
Fund Balance Reserved for:			
Debt Management	500	500	0
Labor Agreements	25	155	130
Undesignated Fund Balance	14	0	(14)
Extraordinary Monetary Settlements Fund Balance	5,335	3,870	(1,465)

FY 2018 Detailed Gap-Closing Plan

The following table and narrative provide a summary of the enacted General Fund gap-closing plan, consisting of specific budgetary actions and revised estimates to projected General Fund receipts and disbursements. To the extent the State adheres to the 2 percent spending growth benchmark, the level of savings required in each subsequent year to hold spending to 2 percent would be lower.

FY 2018 ENACTED BUDGET GENERAL FUND GAP-CLOSING PLAN (millions of dollars)				
	FY 2018	FY 2019	FY 2020	FY 2021
INITIAL BUDGET SURPLUS/(GAP) ESTIMATE¹	(3,533)	(7,122)	(8,935)	(6,816)
SPENDING CHANGES	3,571	1,799	1,609	1,387
Agency Operations	235	(9)	(105)	(295)
Executive Agency Operations	391	103	78	3
Agency Financial Management Plans	500	500	500	500
NYPA Repayment	193	(21)	(43)	(43)
Fringe Benefits/Fixed Costs	213	56	56	49
Elected Officials	(43)	(44)	(43)	(101)
Potential Labor Agreements	(519)	(603)	(653)	(703)
Local Assistance	1,986	2,147	2,507	2,686
Health Care	697	919	951	929
Education	212	545	864	1,044
Higher Education	308	96	96	96
Human Services/Housing	117	85	82	84
Mental Hygiene	83	58	55	55
STAR - Program Conversion ²	277	352	367	382
STAR - Other	70	50	50	50
All Other	222	42	42	46
Capital Projects/Debt Management	1,354	374	330	392
Initiatives/Investments³	(504)	(713)	(1,123)	(1,396)
School Aid	(86)	(195)	(233)	(244)
Education/Higher Education	(127)	(103)	(112)	(128)
Excelsior Scholarship	(71)	(133)	(152)	(163)
Human Services/Labor	(65)	0	0	0
Juvenile Justice Reform ("Raise the Age")	0	(78)	(276)	(378)
Debt Service Cost for Capital Adds	(33)	(148)	(272)	(380)
Direct Care & Clinical Care Worker Wage Increase/COLA Deferral	(14)	(39)	(39)	(39)
Indigent Legal Services	0	0	(23)	(47)
All Other	(108)	(17)	(16)	(17)
RESOURCE CHANGES	(779)	(2,225)	(2,304)	(2,967)
Tax Revisions	(1,915)	(1,811)	(1,911)	(2,310)
STAR Conversion ²	0	(340)	(354)	(369)
Use of Monetary Settlement Funds	461	0	0	0
Miscellaneous Receipts/Transfers	675	(74)	(39)	(288)
TAX ACTIONS	741	3,527	3,777	884
PIT Top Rate Extension	683	3,375	3,695	902
Other Tax Actions/Extenders	58	152	82	(18)
ENACTED BUDGET SURPLUS/(GAP) ESTIMATE (Before)¹	0	(4,021)	(5,853)	(7,512)
ADHERENCE TO 2% SPENDING BENCHMARK⁴	n/a	3,230	5,855	7,955
ENACTED BUDGET SURPLUS/(GAP)	0	(791)	2	443

¹ FY 2017 Mid-Year Update, dated November 2016.

² The FY 2018 Enacted Budget converts the NYC PIT rate reduction to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "School Tax Relief Program" in "State Financial Plan Projections Fiscal Years 2018 through 2021" herein.

³ Reflects Executive 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 Actions" categories.

⁴ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. The "Surplus/(Gap)" estimate assumes that all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected operating position would decline.

As shown in the table on the previous page, the Enacted Budget Financial Plan is projected to require additional gap-closing measures in FYs 2019, 2020 and 2021 in order to adhere to the 2 percent spending growth benchmark for each of those fiscal years, and to reduce or eliminate General Fund gaps in each of those fiscal years. Such gap-closing measures may include, but are not limited to, reduced appropriations, changes regarding the timing of certain payments, as well as changes in law regarding the requirements of various State programs, or the conversion of disbursements into tax expenditures.

Spending Changes

Agency Operations

Operating costs for State agencies include salaries, wages, fringe benefits, and non-personal service costs (e.g., supplies, utilities). Reductions from current-services projections for agency operations contribute \$735 million to the General Fund gap-closing plan for FY 2018. Specifically:

- **Executive Agencies:** The Enacted Budget Financial Plan holds agency spending flat on a State Operating Funds basis with limited exceptions, such as DOH costs attributable to the NYSOH marketplace and the EP program. Agencies are expected to continue to use less costly forms of service deliveries, improve administrative practices, and pursue statewide solutions, including using Lean management initiatives to streamline operations and management.

The Enacted Budget Financial Plan includes savings from the continued transition of individuals from mental hygiene institutions to appropriate community settings. In addition, the Enacted Budget Financial Plan provides a more consistent approach for funding the costs of employees who maintain and preserve State assets in the capital budget. Agencies have been accounting for these costs differently for years, with some capturing the expenses in their capital budget, while others reflect them in their operating budgets. Beginning in FY 2018, approximately 3,173 FTEs whose job duties are related to the maintenance, protection, preservation, and operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) will be paid from capital projects funds.

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

- **Agency Financial Management Plans:** The Enacted Budget Financial Plan includes \$500 million in annual savings that will be allocated to agencies as agency management plans are completed. All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018. Agency management plans identifying cost reductions and efficiencies to achieve the targeted savings are expected to be reviewed and approved by DOB prior to implementation, and must preserve funding for core services and strategic initiatives.
- **New York Power Authority (NYPA) Repayment Agreement:** The Enacted Budget Financial Plan assumes that the terms of the annual payment schedule to NYPA would be extended through 2023, resulting in \$193 million in expected savings in FY 2018.
- **Fringe Benefits/Fixed Costs:** Savings reflect the payment of the majority of the FY 2018 Employees' Retirement System (ERS)/Police and Fire Retirement System (PFRS) pension bill in April 2017, rather than in monthly increments, thereby avoiding interest expense charged by the System. The Enacted Budget Financial Plan also reflects the continued use of available SIF resources to offset the cost of Workers' Compensation claims. These resources will reduce reported spending in State Operating Funds by \$210 million in FY 2017 and \$205 million in FY 2018.
- **Judiciary:** The Enacted Budget Financial Plan reflects the Judiciary's request to increase operating support, including an additional 200 non-judicial positions in support of trial court operations, and temporary service funding for acting city, town and village justices.
- **Legislature:** The Enacted Budget Financial Plan reflects the Legislature's request to increase operating funding by 3 percent, including increased costs for personal service and equipment.
- **Labor Agreements (Executive Agencies):** The New York State PEF ratified a three-year labor contract, which provides for a 2 percent annual increase in general salary for FY 2017, FY 2018, and FY 2019. Legislation to implement the agreement, including a comparable increase for M/C employees, has been approved. The FY 2017 PEF increase was paid in FY 2017. The FY 2017 M/C increase will be paid in FY 2018. The Enacted Budget Financial Plan includes a reserve of \$155 million for retroactive salary increases for remaining unions that have not yet reached final agreements. Negotiations also continue with the Police Benevolent Association of New York State (PBANYS), whose contract expired at the end of FY 2015.

For planning purposes, the Enacted Budget Financial Plan includes an estimate of Executive agency costs assuming the PEF contract terms were applied to all remaining unions. DOB estimates this would result in General Fund costs of roughly \$200 million for the first year of the contract, \$385 million for the second year, and \$600 million for the third year and each year thereafter. These estimated costs include the cost of the PEF and M/C salary increases discussed above.

The Enacted Budget Financial Plan projections assume that all unsettled unions will reach agreements with the State in FY 2018, and that associated cost increases for the first and second contract years will be paid in FY 2018. The following table summarizes costs of potential labor agreements for Executive agencies included in the Enacted Budget Financial Plan.

GENERAL FUND POSSIBLE COSTS OF LABOR AGREEMENTS FOR EXECUTIVE AGENCIES ¹ (millions of dollars)				
	Potential Contract Cost	Financial Plan		
		PEF/MC	Other	Total
Year 1 (FY 2017)	201	67	0	67
Year 2 (FY 2018)	385	203	316	519
Year 3 (FY 2019)	603	275	328	603
Total	1,189	545	644	1,189

¹ Assumes the PEF contract is extended to other unions and the Year 1 and 2 cost for M/C and all remaining unions are paid out in FY 2018.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Reductions from the prior projections for local assistance spending are expected to generate \$2.0 billion in General Fund savings.⁸ Savings are expected from targeted actions, reestimates based on updated information, and continuation of prior-year cost containment. Specifically:

- Health Care:** An additional \$382 million in non-DOH Medicaid expenses will be funded within the Medicaid Global Cap. To achieve savings within the Global Cap, DOH will continue to implement various Medicaid Redesign Team (MRT) actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program, including proposals to collaborate with New York City for achieving efficiencies; establish a Medicaid pharmacy drug spending cap, which includes a process to mitigate excessive pricing; and to use Balancing Incentive Program (BIP) funds to support wage requirements under the Fair Labor Standards Act (FLSA).

In FY 2018, bonds issued in 2003 that were secured by annual payments under the Master Settlement Agreement (MSA) with tobacco manufacturers will be fully retired. DOB expects that MSA payments of approximately \$97 million in FY 2018 and roughly \$300 million annually thereafter will be available for State purposes. The Enacted Budget Financial Plan reflects the proposed use of the payments, outside the State Operating Funds basis of reporting, to defray a portion of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped

⁸ Local assistance includes payments for School Aid, STAR, Medicaid, public assistance, child welfare, local government assistance and a range of other purposes.

permanently at 2015 calendar year levels, is expected to cost the State \$735 million in FY 2018, growing to \$917 million in FY 2019. The use of the MSA payments to fund a portion of these costs will have no impact on total funding for the Medicaid program, but will reduce reported Medicaid spending on a State Operating Funds basis of reporting.

Other health care savings include a 20 percent reduction to certain public health programs (\$25 million annually), and a shift of \$21 million in operating to capital support for Roswell Park Cancer Institute (RPCI) in FY 2018. The availability of additional Federal funds for the NYSOH Qualified Health Plan (QHP) is expected to offset State costs by \$17 million in FY 2018.

The Enacted Budget Financial Plan also includes an upward revision of \$168 million to estimated HCRA resources, including additional revenues from hospital surcharges and covered lives assessments. It also includes a three-year extension of funding for the Statewide Health Information Network for New York (SHIN-NY)/All-Payer Claims Databases (APCD) infrastructure development initiative.

- **Education:** The School Year (SY) 2018 Personal Income Growth Index (PIGI) is 3.9 percent, compared to the baseline estimate of 4.5 percent, which resulted in an updated growth calculation included in the Executive Budget. In addition, updates to the School Aid database indicate a decline in SY 2017 aid compared with FY 2017 Enacted Budget estimates. Similarly, spending related to special education programs and grant-based awards for School Aid is occurring more slowly than anticipated, and estimated spending has been reduced accordingly.
- **Higher Education:** The sale of certain City University of New York (CUNY) capital assets is expected to result in available resources to partially support CUNY operations. In addition, the reconciliation of prior year payment advances to higher education institutions for TAP financial awards is expected to reduce FY 2018 spending by \$166 million.
- **Human Services:** Savings are expected to result from restructuring of the financing approach for foster care tuition and residential school placements of children with special needs in New York City, and reducing the State's Foster Care Block Grant reimbursement to an estimated 50 percent share, net of Federal Funding. Funding is included for increased public assistance costs, which include providing safety net benefits for immigrants with Temporary Protected Status, pursuant to litigation filed against the State. This status is given to noncitizens residing in the United States whose home countries have experienced natural disasters or are involved in armed conflict.
- **Mental Hygiene:** Spending revisions reflect updated assumptions and revised timelines for ongoing transformation efforts in the mental hygiene service delivery system, and the Federal government's extension of the BIP. The Office for People with Developmental Disabilities (OPWDD) will maximize Federal reimbursement by aligning services such as Family Support Services to meet Medicaid eligibility and only provide supplemental support for other Medicaid-eligible programs.

- **STAR:** The Enacted Budget Financial Plan includes a conversion of the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers which, due to the timing of its implementation, results in short-term savings to the Enacted Budget Financial Plan (\$277 million in FY 2018; \$12 million in each of FYs 2019 and 2020). This change has no effect on the value of the STAR benefit, but eliminates the need for New York City to make payments in the first instance and to be reimbursed by the State.
- **All Other:** Savings are expected as a result of updated program and grant spending across a number of areas, including use of available Mortgage Insurance Fund (MIF) resources to fund housing and homelessness programs and spending revisions based on utilization trends in other local assistance programs.

Capital Projects/Debt Management

- The Enacted Budget Financial Plan reflects reduced debt service costs from refundings and other portfolio management; and lower capital transfers reflecting the use of available bond proceeds to reimburse first-instance capital spending from prior years.
- FY 2018 debt service savings reflect the payment of \$490 million (\$280 million previously planned plus an additional \$210 million) of FY 2018 expenses in FY 2017.

Initiatives/Investments/New Costs

- **School Aid:** The Enacted Budget Financial Plan reflects the increase to School Aid by \$1.0 billion (4.2 percent), including \$700 million in Foundation Aid, bringing the new School Aid SY total to \$25.7 billion. In comparison to the base forecast, which already included a school aid increase of 3.9 percent, the Enacted Budget Financial Plan includes an added \$122 million (\$86 million on a State fiscal year basis).
- **Educational/Higher Education:** The Budget provides additional funding for charter schools, a new Enhanced Tuition Award for students attending private not-for-profit colleges, and open educational resources, a low cost alternative to traditional textbooks for students. At the State's direction, both SUNY and CUNY will use this funding to target high-enrollment courses, including general education, to maximize student savings.
- **Excelsior Scholarship:** The scholarship program will allow students of working and middle-class families to attend college tuition-free at all public universities in New York State. The program will be phased in over three years, beginning in the fall of 2017 for New Yorkers making up to \$100,000 annually, increasing to \$110,000 in 2018, and reaching \$125,000 in 2019. The Excelsior Scholarship is a "last mile" program, which extends the state's existing aid programs, including the nearly \$1 billion Tuition Assistance Program and any applicable Federal grants, and fills in any remaining gaps to cover the full cost of tuition. The estimates reported in the Enacted Budget Financial Plan are on a State fiscal year basis.

- **Human Services/Labor:** The Enacted Budget Financial Plan includes additional funding for several program areas supporting children, families, and communities. During the negotiation process, funding was committed for eligible families with child care costs, and services for sexually exploited children, disabled New Yorkers and job seekers and the working community.
- **Juvenile Justice Reform (“Raise the Age”):** The Enacted Budget includes legislation that raises the age of criminal responsibility to 18 years. The new measures will be phased in over time, raising the age of juvenile jurisdiction from age 16 to 17 years, beginning on October 1, 2018, then raising the age of juvenile jurisdiction to 18 years on October 1, 2019. Added funding is planned in support of the housing, treatment and services provided for youth.

Under the legislation, those under the age of 18 will no longer be housed in adult facilities or jails. Those under the age of 18 will not be placed or held at Rikers Island in New York City beyond October 1, 2018. They will be placed in specialized juvenile detention facilities certified by the New York City Administration for Children’s Services and the State’s Office of Children and Family Services (OCFS), and in conjunction with the State’s Commission of Correction and the New York City Department of Corrections. The State will also create a Raise the Age implementation task force, with committee members designated by the Governor. Additionally, individuals who have been crime-free for ten years after serving a sentence will be able to apply for the sealing of previous criminal convictions depending on their offence.

- **Direct Care and Clinical Care Worker Wage Increase:** The Enacted Budget Financial Plan also provides funding to support a 6.5 percent raise over the next two years for direct care workers, and a 3.25 percent raise for clinical workers in FY 2019, serving the mental hygiene community, aimed at assisting non-profits in the recruitment and retention of employees. Partly offsetting the outyear cost of these increases is a deferral of the statutory Cost-of-Living Adjustment (COLA) in FY 2018 and FY 2019.
- **Indigent Legal Services:** To help ensure fair and equal representation for individuals who cannot afford counsel, the Enacted Budget Financial Plan includes resources to develop the framework through which the State will fund 100 percent of costs necessary to extend to all 62 counties in New York the 2014 indigent defense service reforms provided for in the Hurrell-Harring settlement.
- **All Other:** The Enacted Budget Financial Plan provides additional funding for various purposes agreed to during budget negotiations, including a legal defense fund for immigrants, local gaming aid of \$2.25 million for Madison County, as well as additional funding to support Taste NY; water quality aid for the City of Newburgh; and debt service costs for new bond-financed capital initiatives. In addition, funding has been added to provide for faster processing of sexual offense evidence kits⁹ submitted by New York State

⁹ Sexual Offense Evidence Kit Bill (Chapter 500 of the Laws of 2016) was signed by the Governor on November 28, 2016.

law enforcement agencies to the State Police forensic lab. The Enacted Budget Financial Plan also includes funding to support a new Cyber Incident Response Team to provide cybersecurity support to State entities, local governments, and entities managing infrastructure assets.

Resource Changes

- Tax Revisions:** The multi-year tax receipts forecast reflects downward revisions based on recent collection experience and an updated economic forecast.
- NYC STAR PIT Rate Reduction Benefit Conversion:** The conversion of the rate reduction benefit to a nonrefundable New York State PIT credit for New York City taxpayers with incomes below \$500,000 will not affect STAR benefits, but will result in lower General Fund tax collections. This action is consistent with the conversion of the NYC STAR PIT credit to a State credit in the FY 2017 Enacted Budget.
- Use of Extraordinary Monetary Settlement Funds:** The Enacted Budget Financial Plan includes the use of Extraordinary Monetary Settlement funds for General Fund operations in FY 2018. This includes \$311 million in unallocated funds (including \$33 million expected from a settlement with Volkswagen AG, Audi AG, Porsche AG and their American subsidiaries) and \$150 million that was previously planned for deposit into the Rainy Day Fund if fiscal conditions permitted.
- Public Safety Communications Surcharge:** The Public Safety Communications Surcharge is expanded to prepaid purchases of mobile communication services, with purchases subject to a 90-cent surcharge. The surcharge will be imposed at the point of purchase for a prepaid device or data. Currently, mobile plan subscribers pay \$1.20 per month, while purchasers of prepaid mobile services pay no surcharge. Local governments, including those that don't currently impose the surcharge on mobile plan contracts, can also opt in for a 30 cent surcharge on prepaid purchases of mobile communication services. This surcharge supports the State's public safety activities and funds the Statewide Interoperable Communications Grant (SICG) program.
- Other Resource Changes:** Other changes include (i) updated estimates of various miscellaneous receipts and transfers from other funds, (ii) reimbursement for Mental Hygiene services in excess of debt service spending, and (iii) reductions reflecting the refinement of cautious estimates included in the Enacted Budget Financial Plan. In addition, the Enacted Budget includes the establishment of a special license to sell craft beverages along with food and souvenir items at certain Taste-NY stores.

Tax Actions

- **Extend the PIT Top Bracket:** The Enacted Budget Financial Plan reflects a two-year extension, through the end of tax year 2019, of the current income tax rate for high-income earners. The current top-bracket rate has been in place since January 1, 2012, when the top-bracket rate was reduced from 8.97 percent to 8.82 percent.
- **High Income Charitable Contribution Deduction:** The Enacted Budget extends to the end of tax year 2019, the charitable contribution deduction limitation of 25 percent.
- **Ride Sharing for Upstate New York:** The Enacted Budget authorizes Transportation Network Companies (TNCs) to operate across New York and creates uniform licensing standards. The Department of Motor Vehicles (DMV) will have oversight of rideshare companies to help ensure compliance with all laws, rules, and regulations required as part of a TNC's operational license. TNC companies will be required to maintain minimum insurance coverage levels of \$1.25 million while a TNC driver is traveling to pick up a passenger and until the drop-off is completed. The State will also establish minimum standards to ensure passenger safety. TNCs will be charged a 4 percent per fare State assessment fee.
- **Child and Dependent Care Credit:** The Enacted Budget increases benefits under the New York State Child and Dependent Care Credit. This credit provides households who qualified for the Federal Child and Dependent Care Credit the ability to claim a percentage of the Federal credit on their State income taxes. The Enacted Budget increases the percentage of the Federal credit for tax filers with New York Adjusted Gross Income (AGI) between \$50,000 and \$150,000, resulting in an increase in the benefit by an average of 123 percent.
- **Warrantless Wage Garnishment:** The Enacted Budget extends the authorization for the Department of Taxation and Finance (DTF) to garnish wages of delinquent taxpayers without filing a warrant with the Department of State (DOS) or County Clerks. The current program, extended for three years, has been successful in eliminating the unfunded mandate on counties to receive warrants from DTF.
- **Other Actions:** The Enacted Budget includes other tax credits/extensions, enforcement initiatives and tax code reforms. These include extending the Empire State Film and Post-Production Tax Credits for three years; renaming the Urban Youth Jobs Program to the New York Youth Jobs Program and extending the associated tax credit for five years to 2022; and adding a carve-out for the new Empire State Apprenticeship Tax Credit Program; providing farmers a credit for food bank donations; and closing tax loopholes associated with non-resident activities related to co-ops and asset sales.

Changes to Executive Budget

The table below summarizes all the changes to the Executive Budget General Fund Financial Plan.

CHANGES TO THE EXECUTIVE BUDGET FINANCIAL PLAN				
GENERAL FUND				
(millions of dollars)				
	FY 2018	FY 2019	FY 2020	FY 2021
TOTAL NEGOTIATED CHANGES TO EXECUTIVE PLAN	(718)	(891)	(1,917)	(4,546)
SPENDING RESTORATIONS/ADDITIONS	(547)	(620)	(775)	(989)
<u>New Spending Adds:</u>	<u>(390)</u>	<u>(374)</u>	<u>(445)</u>	<u>(491)</u>
School Aid - Foundation Aid Increase	(86)	(195)	(233)	(244)
Charter Schools	0	(26)	(46)	(61)
Other Education Aid	(65)	(21)	(16)	(16)
Direct Care & Clinical Care Worker Wage Increase	(14)	(146)	(146)	(146)
FY 2019 COLA Deferral	0	107	107	107
Human Services/Labor	(65)	0	0	0
Higher Education	(63)	(57)	(49)	(52)
All Other	(97)	(36)	(62)	(79)
<u>Restorations/Modifications:</u>	<u>(157)</u>	<u>(246)</u>	<u>(330)</u>	<u>(498)</u>
STAR Exemption Cap/Mandatory Income Verification	(74)	(122)	(167)	(209)
Child Care Title XX	(20)	(20)	(20)	(20)
Bundy Aid Reduction	(16)	(27)	(27)	(27)
GPHW Reimbursement Reduction	(11)	(22)	(22)	(22)
Raise the Age Modification	0	19	(71)	(184)
SUNY Hospital Subsidy	(9)	(9)	(9)	(9)
Retiree Health Insurance	(9)	(32)	(39)	(51)
Modify Interest on Court of Claims Judgements	(6)	(6)	(6)	(6)
Other Restorations/Modifications/Rejected Initiatives	(12)	(27)	31	30
TAX LAW/REVENUE CHANGES	(171)	(271)	(1,142)	(3,557)
<u>Not Accepted:</u>	<u>(170)</u>	<u>(270)</u>	<u>(266)</u>	<u>(264)</u>
Marketplace Sales Tax Collection	(64)	(128)	(128)	(128)
Reform Taxation of Cigars	(12)	(23)	(23)	(23)
DMV REAL ID and Title Fee Increases	(81)	(97)	(98)	(97)
All Other	(13)	(22)	(17)	(16)
<u>Modified/New:</u>	<u>(1)</u>	<u>(1)</u>	<u>(876)</u>	<u>(3,293)</u>
PIT Top Bracket Extension	0	0	(810)	(3,127)
High Income Charitable Deduction	0	0	0	(70)
Food Donation Tax Credit	0	0	(10)	(10)
Union Dues Tax Deduction	0	0	(35)	(35)
All Other	(1)	(1)	(21)	(51)
NEW COSTS AND RESOURCE REDUCTIONS	(1,534)	(1,395)	(1,290)	(1,339)
Tax Receipt Revisions	(1,500)	(1,336)	(1,232)	(1,271)
Fringe Benefits	(34)	(59)	(58)	(68)
NEW SAVINGS AND RESOURCES	2,252	38	15	154
Use of Monetary Settlement Funds	461	0	0	0
FY 2017 Prepayments/Advances	210	0	0	0
Accumulated Transfers From Other Funds	264	0	0	0
Capital Transfers (Excluding Monetary Settlements)	545	6	(5)	(1)
Local Assistance	405	59	69	143
Agency Operations	194	(48)	(73)	(86)
Debt Service	39	(10)	23	76
All Other Resources/Transfers	134	31	1	22
NET SAVINGS/(COSTS)¹	0	(2,248)	(3,192)	(5,731)

¹ Before projected savings achieved by limiting future annual growth to 2 percent.

Annual Spending Growth

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

STATE SPENDING MEASURES (millions of dollars)				
	FY 2017 Results	FY 2018 Enacted	Annual Change	
			\$	%
LOCAL ASSISTANCE	64,369	66,058	1,689	2.6%
School Aid (School Year Basis)	24,689	25,727	1,038	4.2%
DOH Medicaid ¹	18,243	19,093	850	4.7%
Transportation	4,977	5,027	50	1.0%
STAR ²	3,139	2,630	(509)	-16.2%
Social Services	2,935	2,968	33	1.1%
Higher Education	2,874	2,800	(74)	-2.6%
Mental Hygiene	2,461	2,485	24	1.0%
All Other ³	5,051	5,328	277	5.5%
STATE OPERATIONS/FRINGE BENEFITS	26,314	26,755	441	1.7%
Agency Operations	18,680	18,692	12	0.1%
Personal Service:	<u>13,093</u>	<u>12,910</u>	<u>(183)</u>	<u>-1.4%</u>
Executive Agencies	7,302	7,138	(164)	-2.2%
University Systems	3,816	3,770	(46)	-1.2%
Elected Officials	1,975	2,002	27	1.4%
Non-Personal Service:	<u>5,587</u>	<u>5,782</u>	<u>195</u>	<u>3.5%</u>
Executive Agencies	2,717	2,859	142	5.2%
University Systems	2,281	2,309	28	1.2%
Elected Officials	589	614	25	4.2%
Fringe Benefits/Fixed Costs	7,634	8,063	429	5.6%
Pension Contribution	2,446	2,540	94	3.8%
Health Insurance	3,708	3,983	275	7.4%
Other Fringe Benefits/Fixed Costs	1,480	1,540	60	4.1%
DEBT SERVICE	5,514	5,319	(195)	-3.5%
CAPITAL PROJECTS	2	2	0	0.0%
TOTAL STATE OPERATING FUNDS	96,199	98,134	1,935	2.0%
Capital Projects (State and Federal Funds)	10,156	13,111	2,955	29.1%
Federal Operating Aid⁴	41,397	41,625	228	0.6%
TOTAL ALL GOVERNMENTAL FUNDS⁵	147,752	152,870	5,118	3.5%

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

² The FY 2018 Enacted Budget converts the NYC PIT rate reduction to a nonrefundable State PIT credit. This change has no impact on the STAR benefits received by homeowners; it will decrease reported disbursements for STAR and decrease reported PIT receipts by an identical amount. See "STAR Program" in "State Financial Plan Projections Fiscal Years 2018 through 2021" herein.

³ "All Other" includes a reconciliation between school year and State fiscal year spending for School Aid. On a State Fiscal Year basis, School Aid is estimated to total \$25.8 billion in FY 2018, an increase of \$1.4 billion from FY 2017. It also includes the portion of the MA takeover that will be funded from MSA payments deposited directly to the MMIS escrow fund (\$97 million in FY 2018). Lastly, it includes spending for public health, other education, local government assistance, parks, environment, economic development, and public safety.

^{4,5} Federal Operating Funds and All Funds disbursements exclude extraordinary aid for Federal health care reform and Superstorm Sandy.

State Operating Funds -- Summary of Annual Spending Change

Local Assistance

- Medicaid and School Aid are the State's largest local aid programs, comprising approximately 45 percent of State Operating Funds spending. In SY 2018, School Aid is expected to total \$25.7 billion, an increase of \$1.0 billion (4.2 percent), including a \$700 million increase in Foundation Aid.¹⁰ Medicaid subject to the Global Cap will grow at the indexed rate of 3.2 percent¹¹ to \$18.3 billion. In total, Medicaid funded from State resources will increase to \$19.5 billion, including the Essential Plan (EP),¹² the takeover of local Medicaid costs, and other spending outside the Global Cap.
- In FY 2018, the bonds secured by annual payments under the MSA with tobacco manufacturers were fully retired. DOB expects MSA payments of approximately \$97 million in FY 2018, \$329 million in FY 2019, \$327 million in 2020, and \$371 million in FY 2021 will be available for State purposes. The Enacted Budget authorizes using the payments to help defray the costs of the State's takeover of Medicaid costs borne by counties and New York City. The State takeover, in which local Medicaid costs are capped permanently at 2015 calendar year levels, began in FY 2016 and is expected to cost the State \$735 million in FY 2018 and \$917 million in FY 2019. As authorized in State law, MSA payments will be directly deposited to the Medicaid Management Information System (MMIS) Escrow Fund. The deposit mechanism has no impact on overall Medicaid spending funded with State resources, but does decrease reported State-supported Medicaid spending accounted for in State Operating Funds.
- STAR spending is affected by the conversion of STAR benefits to State PIT credits, in addition to other program reestimates. The conversion of STAR benefits to PIT credits has no impact on the value of the STAR benefits received by taxpayers, but does decrease reported disbursements for STAR on a State Operating Funds basis of reporting and decreases the level of reported PIT receipts by an identical amount.
- The annual change in local assistance spending is affected by the accounting treatment of State payments to the Sales Tax Asset Receivable Corporation (STARAC). Pursuant to legislation enacted in FY 2017, New York City is remitting savings to the State from a 2014 refunding of STARAC bonds, which are supported solely by the annual payment of State aid. The FY 2017 legislation specified that the money refunded from STARAC could be received

¹⁰ Total education aid, including charter school supplemental tuition reimbursement and Smart Schools Bond Act debt service, will total \$25.8 billion, an increase of \$1.1 billion or 4.4 percent from School Year 2017.

¹¹ The Medicaid Global Cap is a statutory limit on annual State-funded Medicaid expenditures, indexed to the Medical component of the Consumer Price Index (CPI). Total State-funded Medicaid expenditures also include certain program costs which are not subject to the indexed provisions of the Global Cap.

¹² The EP is an insurance plan for individuals who are not eligible for Medicaid and that meet certain income threshold standards. Approximately 90 percent of program expenses are subsidized with Federal funds made available through the Affordable Care Act (ACA). The EP is not a Medicaid program; however, the State Funds support is managed within total Department of Health (DOH) Medicaid Global Cap resources.

by the State as a miscellaneous receipt, or directed by the State to a State public authority to offset debt service costs on State-supported bonds. In the FY 2018 Enacted Budget, the Legislature reaffirmed that money recouped from the STARC refunding can be treated as an offset to State spending by adding specific "refund of appropriation" language to the STARC appropriation. The Enacted Budget Financial Plan reflects the offset to spending in the calculation of State Operating Funds spending. In FY 2017, the State accounted for the money as a miscellaneous receipt.

State Operations/Fringe Benefits

- Spending for Executive agency operations is expected to decline slightly in FY 2018 from the prior year. The current spending estimates for personal service reflect the potential costs of labor agreements with all State unions patterned on the labor contract ratified by the Public Employees Federation (PEF) in December 2016. In addition, Executive agencies are required to implement management plans intended to ensure that they can operate within existing cash ceilings. The estimated FY 2018 costs of potential labor agreements reflected in the Enacted Budget Financial Plan for Executive agencies are roughly equal to the savings expected from the management plans.
- Agency spending growth is also affected by the reclassification of 3,173 Full-Time Equivalent (FTE) positions whose titles are associated with the maintenance, preservation and/or operation of facilities (e.g., Plant Utilities Engineers, General Mechanics, Electricians, etc.) to the Capital Projects Fund.
- Operations spending for the university systems and elected officials is expected to decrease by 0.3 percent and increase by 2.0 percent, respectively. More than half of the FTE reclassifications to capital project funds occur in SUNY, affecting the annual growth.
- Spending growth for fringe benefits is due to rising employee health care and prescription drug costs, as well as an increase in the annual pension contribution.

Debt Service

- Spending from debt service funds is expected to decrease by 3.5 percent from 2017, reflecting the payment of certain FY 2018 debt service costs in FY 2017.

All Funds Spending

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

TOTAL DISBURSEMENTS (millions of dollars)				
	FY 2017 Results	FY 2018 Enacted	Annual Change	Annual % Change
STATE OPERATING FUNDS	96,199	98,134	1,935	2.0%
General Fund (excluding transfers)	57,988	61,035	3,047	5.3%
Other State Funds	32,659	31,743	(916)	-2.8%
Debt Service Funds	5,552	5,356	(196)	-3.5%
ALL GOVERNMENTAL FUNDS (Excluding Extraordinary Aid)	147,752	152,870	5,118	3.5%
ALL GOVERNMENTAL FUNDS	157,014	163,628	6,614	4.2%
State Operating Funds	96,199	98,134	1,935	2.0%
Capital Projects Funds	10,156	13,111	2,955	29.1%
Federal Operating Funds	<u>50,659</u>	<u>52,383</u>	<u>1,724</u>	<u>3.4%</u>
Federal Disaster Aid for Superstorm Sandy	881	525	(356)	-40.4%
Federal Health Care Reform	8,381	10,233	1,852	22.1%
All Other Federal Aid	41,397	41,625	228	0.6%
GENERAL FUND (INCLUDING TRANSFERS)	68,080	71,199	3,119	4.6%
STATE FUNDS	104,029	109,396	5,367	5.2%

Growth in Capital Projects spending, which affects All Funds and State Funds spending, as well as transfers from the General Fund, reflects the continued implementation of major initiatives enacted in prior years, as well as new initiatives enacted in FY 2018. Major initiatives include: over \$55 billion for the Department of Transportation (DOT) and Metropolitan Transportation Authority (MTA) multi-year capital plans; \$2.5 billion in capital funding for Affordable and Homeless Housing; nearly \$3 billion for clean water infrastructure and increases to the Environmental Protection Fund (EPF); \$2 billion for the Smart Schools Bond Act; nearly \$3 billion in Health Care capital grants; and capital grants for economic development programs, including the Buffalo Billion, expansion of the Jacob K. Javits Convention Center, and redevelopment of Moynihan Station.

In addition, capital spending is expected to increase due to the multi-year disbursements of \$7.7 billion from Extraordinary Monetary Settlements that have been appropriated from Capital Projects Funds. This funding will support initiatives such as the Thruway Stabilization Program, Upstate Revitalization Initiative, and the expansion of statewide broadband services.

Increased Federal spending is mainly concentrated in health care and is partly offset by diminishing levels of Federal reimbursement for recovery costs related to severe storms (e.g., Superstorm Sandy).

General Fund spending, including transfers, is expected to grow by approximately 4.6 percent from FY 2017, and includes planned transfers of Extraordinary Monetary Settlements to fund spending appropriated in capital projects funds. In addition, funding for many agencies and programs is charged to several funds, and is affected by offsets and accounting reclassifications.

Cash Flow

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

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

ALL FUNDS MONTH-END CASH BALANCES			
FY 2018			
(millions of dollars)			
	General Fund	Other Funds	All Funds
April	7,405	4,111	11,516
May	2,216	3,667	5,883
June	2,466	4,042	6,508
July	3,359	4,972	8,331
August	2,862	4,746	7,608
September	5,825	2,450	8,275
October	5,572	3,047	8,619
November	3,885	2,216	6,101
December	7,513	2,111	9,624
January	9,630	3,435	13,065
February	9,442	3,319	12,761
March	6,384	3,049	9,433

Extraordinary Monetary Settlements

From FY 2015 through FY 2018, DOB estimates that the State will have received a total of \$9.9 billion in Extraordinary Monetary Settlements for violations of New York State laws by major financial and other institutions. The following table lists the Extraordinary Monetary Settlements by firm and amount. Note that the Enacted Budget Financial Plan does not reflect the May 24, 2017 consent order between the State Department of Financial Services (DFS) and BNP Paribas S.A. and BNP Paribas S.A. New York Branch (together "BNPP"), pursuant to which BNPP has paid a \$350 million civil monetary penalty to DFS pursuant to Banking Law Section 44 for engaging in improper, unsafe and unsound conduct, in violation of New York State laws and regulations, that included collusive conduct, improper exchange of information, manipulation of the price at which daily benchmark rates were set, and misleading customers. DOB next expects to update the State's multi-year financial projections in July 2017 with the First Quarterly Update to the Financial Plan.

SUMMARY OF RECEIPTS OF EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
Extraordinary Monetary Settlements	4,942	3,605	1,317	33	9,897
BNP Paribas	2,243	1,348	0	0	3,591
Department of Financial Services (DFS)	2,243	0	0	0	2,243
Asset Forfeiture (DANY)	0	1,348	0	0	1,348
Deutsche Bank	0	800	444	0	1,244
Credit Suisse AG	715	30	0	0	745
Commerzbank	610	82	0	0	692
Barclays	0	670	0	0	670
Credit Agricole	0	459	0	0	459
Bank of Tokyo Mitsubishi	315	0	0	0	315
Bank of America	300	0	0	0	300
Standard Chartered Bank	300	0	0	0	300
Goldman Sachs	0	50	190	0	240
Morgan Stanley	0	150	0	0	150
Bank Leumi	130	0	0	0	130
Ocwen Financial	100	0	0	0	100
Citigroup (State Share)	92	0	0	0	92
MetLife Parties	50	0	0	0	50
American International Group, Inc.	35	0	0	0	35
PricewaterhouseCoopers LLP	25	0	0	0	25
AXA Equitable Life Insurance Company	20	0	0	0	20
Promontory	0	15	0	0	15
New Day	0	1	0	0	1
Volkswagen	0	0	32	33	65
Mega Bank	0	0	180	0	180
Agricultural Bank of China	0	0	215	0	215
PHH Mortgage	0	0	28	0	28
Intesa SanPaolo	0	0	235	0	235
Other Settlements	7	0	(7)	0	0

Uses of Extraordinary Monetary Settlements

Consistent with the Executive's intention to use the majority of Extraordinary Monetary Settlements to fund capital investments and nonrecurring expenditures, the Enacted Budget authorizes the transfer/use of \$5.4 billion in remaining resources from Extraordinary Monetary Settlements over a five-year period, in addition to \$4.5 billion used as of the close of FY 2017.

Since FY 2015, DOB estimates the State has received, or expects to receive, nearly \$10 billion in Extraordinary Monetary Settlements for violations of State laws by major financial and other institutions. A total of \$7.7 billion is expected to finance various purposes from capital appropriations, including operating activities associated with the maintenance, protection, preservation, and operation of capital assets. Another \$2.2 billion is or will be used for, other purposes, including resolution of Federal OPWDD disallowances in FY 2016; funding for retroactive labor costs, General Fund operations, and costs of the Department of Law's Litigation Services Bureau.

GENERAL FUND SUMMARY OF RECEIPTS AND USE/TRANSFER OF FUNDS FROM EXTRAORDINARY MONETARY SETTLEMENTS BETWEEN REGULATORS AND FINANCIAL INSTITUTIONS (millions of dollars)									
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Total
Opening Settlement Balance in General Fund	0	4,667	6,300	5,335	3,870	2,208	1,121	468	0
Receipt of Extraordinary Monetary Settlement Payment	4,942	3,605	1,317	33	0	0	0	0	9,897
Use/Transfer of Funds	275	1,972	2,282	1,498	1,662	1,087	653	468	9,897
Capital Purposes:									
Transfer to DIIF	0	857	697	1,402	1,767	1,217	933	438	7,311
Transfer to Environmental Protection Fund	0	0	120	0	0	0	0	0	120
Transfer to Capital Projects Fund - Mass Transit	0	0	0	85	0	0	0	0	85
Transfer to Capital Projects Fund - Healthcare	0	0	0	25	45	50	50	30	200
Transfer to DIIF for Javits Center Expansion	0	0	0	160	350	320	170	0	1,000
Bond Proceed Receipts for Javits Center Expansion	0	0	0	0	0	(500)	(500)	0	(1,000)
FY 2017 Temporary Loan to Capital Projects Fund	0	0	1,300	(1,300)	0	0	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund	0	0	0	500	(500)	0	0	0	0
Other Purposes:									
Transfer to Audit Disallowance - Federal Settlement	0	850	0	0	0	0	0	0	850
Financial Plan - General Fund Operating Purposes	275	250	102	461	0	0	0	0	1,088
Transfer to Local Assistance Account - Mass Transit Opera	0	0	0	10	0	0	0	0	10
Department of Law - Litigation Services Operations	0	10	63	0	0	0	0	0	73
Transfer to OASAS Chemical Dependence Program	0	5	0	0	0	0	0	0	5
Reservation of Funds:									
Reserve for Retroactive Labor Settlements	0	0	0	155	0	0	0	0	155
Closing Settlement Balance in General Fund	4,667	6,300	5,335	3,870	2,208	1,121	468	0	0

The Enacted Budget Financial Plan reflects the allocation of an additional \$1.8 billion in unbudgeted Extraordinary Monetary Settlements to support the following measures:

- **Buffalo Billion Phase II (\$400 million):** The Enacted Budget Financial Plan reflects an additional investment of \$400 million from Extraordinary Monetary Settlement funds to support the second phase of the Buffalo Billion Initiative, which totals \$500 million.
- **Life Sciences (\$320 million):** The Enacted Budget Financial Plan reflects the commitment of \$320 million from Extraordinary Monetary Settlement funds to support the State's multi-year \$620 million Life Sciences Initiative. The State will provide \$220 million to support state-of-the-art laboratory space, equipment, and technology. Furthermore, \$100 million will be provided in investment capital for early stage life science firms, which is expected to be matched by private sector partners.
- **Health Care Capital Grants (\$200 million):** The Enacted Budget Financial Plan includes a \$500 million increase to the health care facility transformation program, of which \$200 million will be funded from Extraordinary Monetary Settlements.
- **Security and Emergency Response Preparedness (\$100 million):** The Enacted Budget Financial Plan reflects the commitment of \$100 million over the next two years to continue counter-terrorism efforts in New York City including increased security and anti-terror exercises at nine MTA-operated bridges and tunnels and to sustain the increased deployment of National Guard at transportation hubs that began in September 2014.
- **Downtown Revitalization (\$100 million):** The Enacted Budget Financial Plan reflects an additional \$100 million for the Downtown Revitalization Initiative to fund housing, economic development, transportation, and community projects to attract and retain residents, visitors, and businesses to downtowns. The existing program provides \$100 million to ten communities currently experiencing population loss and/or economic decline.
- **MTA Capital Plan (\$65 million):** The Enacted Budget Financial Plan reflects the commitment of an additional \$65 million to the MTA's 2015-2019 Capital Program. These new resources must be paid to the Authority before December 31, 2018.
- **Non MTA Transit (\$30 million):** The Enacted Budget Financial Plan invests an additional \$20 million in funds from Extraordinary Monetary Settlements toward the Department of Transportation (DOT) mass transit capital program. Funds will be directed by DOT toward upstate and downstate public transportation systems other than the MTA to defray the costs of capital projects or acquisitions. The Enacted Budget Financial Plan also provides \$10 million for operating costs related to non-MTA Mass Transit purposes.

- **First-Year Costs of Potential Labor Agreements (\$155 million):** The Enacted Budget Financial Plan reserves \$155 million in Extraordinary Monetary Settlements to fund the year one costs of potential labor agreements with the remaining unionized employees, patterned on the PEF contract.
- **General Fund Operations (\$461 million):** The Enacted Budget Financial Plan reflects the use of Extraordinary Monetary Settlements, including \$33 million expected in June 2017 pursuant to a pending settlement with Volkswagen AG, Audi AG, Porsche AG and their American subsidiaries, that were not appropriated in the Enacted Budget to cover a portion of the receipts shortfall.

Other Matters Affecting the Financial Plan

General

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

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

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

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

Budget Risks and Uncertainties

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

The Enacted Budget Financial Plan projections for the outyears assume that School Aid and Medicaid disbursements will be limited to the annual growth in NYS personal income and the ten-year average growth of the medical component of the consumer price index (CPI), respectively. However, in SY 2019 School Aid is projected to increase by 4.3 percent, a level \$100 million higher than the estimated 3.9 percent growth in personal income. In addition, since FY 2014, the State has annually authorized spending for School Aid to increase above the personal income growth index; in FY 2018, the Enacted Budget Financial Plan reflects a 4.2 percent School Aid increase, compared to the 3.9 percent growth in the index.

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

The Enacted Budget Financial Plan forecast contains specific transaction risks and other uncertainties including, but not limited to: receipt of certain payments from public authorities; receipt of certain payments under the Tribal-State compact; receipt of miscellaneous revenues at the levels expected in the Enacted Budget Financial Plan; and achievement of cost-saving measures including, but not limited to, transfer of available fund balances to the General Fund at

levels currently projected. Such risks and uncertainties, if they were to materialize, could adversely impact the Enacted Budget Financial Plan in current or future years.

The Enacted Budget Financial Plan also includes actions that affect the spending reported in the State Operating Funds basis of reporting, including (i) the realignment of certain operating costs to the capital budget to provide consistency in reporting across all agencies and a more accurate accounting of the overall capital budget; (ii) the payment of certain operating costs using available resources in accounts outside of the State Operating Funds basis of reporting; and (iii) the restructuring of the STAR program such that the spending for certain benefits is instead provided in the form of a tax credit for consistency with how other State tax credits are reported. If these and other transactions are not implemented as planned, this could add upward pressure to the reported level of annual spending growth in State Operating Funds.

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

Federal Issues

The State receives a substantial amount of Federal aid for health care, education, transportation, and other governmental purposes, as well as Federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. Current financial projections concerning Federal aid, and the assumptions on which they rely, are subject to revision in future financial updates as a result of changes in Federal policy.

President Trump's Federal fiscal year 2018 budget proposal was submitted to Congress on May 23, 2017. The President's \$4.1 trillion budget contained substantial potential program spending cuts, including proposed cuts to Medicaid, TANF and other State programs. If adopted as proposed, multiple Federal aid programs would be impacted, including programs for which the State, New York City and other municipalities rely for capital and operating assistance. With the release of the President's Federal fiscal year 2018 budget proposal, attention now shifts to Congress as they work to craft the Federal fiscal year 2018 appropriation bills.

The Federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation approved with the Enacted Budget sets forth a process by which the State would manage significant reductions in Federal aid during FY 2018 should they arise. Specifically, the legislation directs the Budget Director to prepare a corrective action plan for consideration by the Legislature in the event that (a) Federal aid for Medicaid is reduced by \$850 million or more or (b) Federal aid for all other programs is reduced by \$850 million or more. Each limit is triggered separately and is not additive. The plan prepared by the Budget Director must

uniformly reduce appropriations and cash disbursements in the General Fund and State special revenue funds. Upon receipt of the plan, the Legislature has 90 days to adopt a corrective action plan by concurrent resolution, or the plan submitted by the Budget Director takes effect automatically.

In addition to the potential fiscal impact of policies that may be adopted by the Federal government, the Enacted Budget Financial Plan may also be adversely affected by other Federal government actions, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

The Enacted Budget Financial Plan includes reimbursement to the Federal government of \$100 million annually through FY 2027 pursuant to a March 2015 agreement between the State and the Centers for Medicare and Medicaid Services (CMS). The agreement resolved a pending disallowance for FY 2011, and all related payment disputes for State-operated services prior to April 1, 2013, including home and community-based waiver services. Pursuant to the agreement, the State must adjust the Federal/State share of future Medicaid costs to reimburse the Federal government. The State used \$850 million in Extraordinary Monetary Settlement payments, previously set aside for financial risks, to finance the initial repayment amount in FY 2016.

Current issues of particular concern are described below.

Maintaining Current Federal Aid

The presidential administration has proposed significant cuts to domestic programs in Federal FY 2018, and numerous mandatory programs, such as the Children's Health Insurance Program, are set to expire in Federal FY 2017. If the proposed cuts are adopted or the mandatory programs set to expire in Federal FY 2017 are not continued, it could lead to a reduction of billions of dollars to the State.

Federal Health Care Policy

Passage of H.R. 1628, the American Health Care Act, in the House of Representatives, puts at risk a significant amount of Federal Aid for health care. Major components of the bill include ending the Basic Health Plan, the Patient Protection and Affordable Care Act's (ACAs) Medicaid expansion, and shifting a larger share of the growth in Medicaid costs to the states by imposing per capita caps on Medicaid spending in lieu of Medicaid's current open-ended entitlement. If adopted, these policies would have a substantial adverse impact on the Enacted Budget Financial Plan.

The bill now moves to the Senate, where it appears unlikely to pass in its current form. DOB will continue to monitor the legislation.

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

Federal Debt Ceiling

In October 2013, an impasse in Congress caused a temporary Federal government shutdown and raised concern for a time that the Federal debt ceiling would not be raised in a timely manner. Including the temporary suspension of the debt limit that ended that standoff in 2013, Congress has passed three suspensions of the debt limit since then, the most recent extension having expired in March of 2017. Since then, the Treasury has operated under "extraordinary measures" to finance Federal outlays without further borrowing. The Congressional Budget Office estimates that these cash management measures can forestall default until the fall 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 Enacted Budget Financial Plan of a future Federal government default are unknown and impossible to predict. However, data from past economic downturns suggest that the State's revenue loss could be substantial if the economy goes into a recession due to a Federal default.

A payment default by the United States may adversely affect the municipal bond market. Municipal issuers, 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)

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

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

Most recently, the NYSCOPBA membership voted not to ratify a tentative agreement on a five-year labor contract through FY 2021, which would have provided for annual 2 percent general salary increases through FY 2021, and differentials typically received within the law enforcement community (e.g., Hazardous Duty Pay), the costs of which were offset by benefit design changes within the New York State Health Insurance Program (NYSHIP) and reductions in overtime costs. The State will continue negotiations with NYSCOPBA.

On June 20, 2017, the State and CSEA reached a tentative agreement on a five-year labor contract that provides annual salary increases of 2 percent for FYs 2017 through 2021. The tentative agreement is subject to ratification by CSEA membership. The Enacted Budget Financial Plan reflects annual salary increases of 2 percent through FY 2019.

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

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

Pension Amortization¹³

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

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

The portion of an employer's annual pension costs that may be amortized is determined by comparing the employer's amortization-eligible contributions as a percentage of employee salaries (i.e., the normal rate¹⁴) to a system-wide amortization threshold (i.e., the graded rate). Graded rates are determined for the Employees' Retirement System (ERS) and the Police and Fire Retirement System (PFRS) according to a formula enacted in the 2010 legislation and generally move toward their system's average normal rate by up to one percentage point per year. When an employer's normal rate is greater than the system-wide graded rate, the employer can elect to amortize the difference. However, when the normal rate of an employer that previously amortized is less than the system-wide graded rate, the employer is required to pay the graded rate. Additional contributions are first used to pay off existing amortizations and are then deposited into a reserve account to offset future increases in contribution rates.

The amortization threshold is projected to approximate the normal rate in upcoming fiscal years. Therefore, the Enacted Budget Financial Plan no longer assumes amortization of State pension costs (including the Office of Court Administration) beyond FY 2016.

The following table reflects projected pension contributions and amortizations exclusively for Executive branch and Judiciary employers participating in ERS and PFRS. The "Normal Costs" column shows the State's underlying pension cost in each fiscal year, before the effects of amortization as authorized in 2010. The "(Amortized) / Excess Contributions" column shows amounts amortized. The "Amortization Payments" column provides the amount paid in principal and interest towards the outstanding balance on prior-year amortizations. The "Total" column

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

¹⁴ For the purpose of this discussion, the "normal rate" refers to all amortization-eligible costs (i.e., normal and administrative costs, as well as certain employer-provided options such as sick leave credit) divided by salary base.

provides the State's actual or planned pension contribution, inclusive of amortization. The "Interest Rate" column provides the interest rate at which the State will repay the amortized contribution, as determined by OSC. The remaining columns provide information on the normal rate and graded rate, which are used to determine the maximum allowed "(Amortized)" amount or the mandatory "Excess Contributions" amount for a given fiscal year.

EMPLOYEE RETIREMENT SYSTEM AND POLICE AND FIRE RETIREMENT SYSTEM IMPACTS OF AMORTIZATION ON PENSION CONTRIBUTIONS (millions of dollars)									
Fiscal Year	Statewide Pension Payments ¹				Rates for Determining (Amortization Amount) / Excess Contributions				
	Normal Costs ²	(Amortized) / Excess Contributions	Amortization Payments	Total Statewide Pension Payments	Interest Rate on Amortization Amount (%) ³	System Average Normal Rate ⁴		Amortization Threshold (Graded Rate)	
						ERS (%)	PFRS (%)	ERS (%)	PFRS (%)
2011	1,543.2	(249.6)	0.0	1,293.6	5.00	11.5	18.1	9.5	17.5
2012	2,037.6	(562.9)	32.3	1,507.0	3.75	15.9	21.6	10.5	18.5
2013	2,076.1	(778.5)	100.8	1,398.4	3.00	18.5	25.7	11.5	19.5
2014	2,633.8	(937.0)	192.0	1,888.8	3.67	20.5	28.9	12.5	20.5
2015	2,325.7	(713.1)	305.7	1,918.3	3.15	19.7	27.5	13.5	21.5
2016	1,972.1	(356.1)	389.9	2,005.9	3.21	17.8	24.7	14.5	22.5
2017	1,788.6	0.0	432.1	2,220.7	2.33	15.0	24.3	15.1	23.5
2018 Est.	1,881.0	0.0	432.1	2,313.1		14.9	24.3	14.9	24.3
-----Projected by DOB ⁵ -----									
2019	1,982.6	0.0	432.1	2,414.7		15.6	25.3	15.6	25.3
2020	2,093.0	0.0	432.1	2,525.1		16.6	26.3	16.6	26.3
2021	2,316.7	0.0	432.1	2,748.8		17.6	27.3	17.6	27.3
2022	2,530.6	0.0	399.8	2,930.4		18.6	28.3	18.6	28.3
2023	2,556.6	0.0	331.3	2,887.9		18.7	29.3	18.7	29.3
2024	2,582.7	0.0	240.1	2,822.8		18.5	29.1	18.5	29.1
2025	2,609.0	0.0	126.4	2,735.4		18.3	28.7	18.3	28.7
2026	2,635.0	0.0	42.2	2,677.2		18.1	28.3	18.1	28.3

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

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

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

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

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

Pension Contributions¹⁵

Overview

The State makes annual contributions to the New York State and Local Retirement System (NYSLRS) for employees in ERS and PFRS. This section discusses contributions from the State, including the Judiciary, to the NYSLRS, which account for the majority of the State's pension costs.¹⁶ All projections are based on projected market returns and numerous actuarial assumptions which, if unrealized, could change these projections materially.

During FY 2016, the NYSLRS updated its actuarial assumptions based on the results of the 2015 five-year experience study. In September 2015, 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.

FY 2018 Projections

The State's FY 2018 ERS/PFRS pension estimate of \$2.3 billion is based on the most recent bill prepared by OSC as of February 2017. The estimate includes payment of \$432 million towards the balance outstanding on prior-year deferrals (i.e., amortizations) and additional interest savings from paying the majority of the pension bill in April 2017.

The preliminary FY 2018 ERS/PFRS pension estimate is impacted by FY 2016 investment returns of 0.2 percent, which was below the Comptroller's assumed rate of return (7 percent). However, the past year's underperformance is offset by stronger investment returns in the previous four years and growth in the number of lower cost Tier 6 members. As a result, the average contribution rate for ERS will decrease slightly from 15.5 percent of payroll to 15.3, while the average contribution rate for PFRS will increase slightly from 24.3 percent of payroll to 24.4 percent.¹⁷

Pension estimates also reflect changes to military service credit provisions enacted during the 2016 legislative session (Chapter 41 of the Laws of 2016). All veterans who are members of NYSLRS may receive extra pension credit for up to three years of military service if they were honorably discharged, have achieved five years of service in a public retirement system, and agree to pay the employee share of such additional pension credit. Costs to the State for employees in ERS will

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

¹⁶ The State's aggregate pension costs also include costs for State employees in the Teachers' Retirement System (TRS) for both the State University of New York (SUNY) and the State Education Department (SED), the Optional Retirement Program (ORP) for both SUNY and SED, and the New York State Voluntary Defined Contribution Plan (VDC).

¹⁷ Average contribution rates include the Group Life Insurance Program (GLIP), and thus differ from the system average normal rates reported in the previous table.

be incurred at the time each member purchases credit, as documented by OSC at the end of each calendar year, while costs for employees in PFRS will be distributed across PFRS employers and billed on a two-year lag (e.g. FY 2017 costs will first be billed in FY 2019). Additionally, under Section 25 of Retirement and Social Security Law (RSSL), the State is required to pay the ERS employer contributions associated with this credit on behalf of local governments. The State is also permitted to amortize the cost of past service credits newly incurred in a given fiscal year; however, the State does not anticipate choosing this option as there would be an interest rate of 7 percent applied to this amortization. The cost to the State for ERS (including the costs covered for local ERS) was \$77 million in FY 2017 based on actual credit purchased through December 31, 2016. DOB currently estimates ERS costs of \$100 million in FY 2018; \$79 million in FY 2019; and \$49 million in FY 2020. Additionally, the State expects ongoing costs of \$7 million beginning in FY 2021 as new cohorts of veterans become eligible to purchase the credit.

Outyear Projections

Pension estimates for FY 2019 and beyond, as projected by DOB, reflect growth in normal costs primarily based on the expectation that collective bargaining will result in continued salary increases and that investment returns will be below the actuarially assumed 7 percent rate of return in the near-to-mid-term.

Other Post-Employment Benefits (OPEB)

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

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

As reported in the State's Basic Financial Statements for FY 2016, the unfunded actuarial accrued liability for FY 2016 is \$77.9 billion (\$63.426 billion for the State and \$14.427 billion for SUNY), an increase of \$494 million from FY 2015 (attributable entirely to SUNY). The unfunded actuarial accrued liability for FY 2016 used an actuarial valuation of OPEB liabilities as of April 1, 2014 for the State and for SUNY. These valuations were determined using the Frozen Entry Age actuarial cost method, and are amortized over an open period of 30 years using the level percentage of

projected payroll amortization method. A significant portion of the annual growth in the State's unfunded actuarial accrued liability has been driven by the adoption of generational mortality projection tables developed by the Society of Actuaries. The tables reflect an improvement in life expectancy in future years resulting in increases to accrued liabilities and the present value of projected benefits. A portion of the annual growth has also been driven by expected increases in NYSHIP costs due to health care cost trends and utilization increases.

The actuarially determined annual OPEB cost for FY 2016 totaled \$4.2 billion (\$3.246 billion for the State and \$926 million for SUNY), an increase of \$1.2 billion from FY 2015 (\$959 million for the State and \$207 million for SUNY). The actuarially-determined cost is calculated using the Frozen Entry Age actuarial cost method, allocating costs on a level basis over earnings. The actuarially determined cost was \$2.6 billion (\$1.905 billion for the State and \$662 million for SUNY) greater than the cash payments for retiree costs made by the State in FY 2016. This difference between the State's PAYGO costs, and the actuarially determined ARC under GASB Statement 45, reduced the State's net asset condition at the end of FY 2016 by \$2.6 billion.

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

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

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

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

Retiree Health Benefit Trust

The Enacted Budget includes legislation creating a Retiree Health Benefit Trust Fund (the “Trust Fund”) that authorizes the State to reserve money for the payment of health benefits of retired employees and their dependents. Under the legislation, the State may deposit up to 0.5 percent of total OPEB liability (currently \$63.4 billion for the State and \$14.4 billion for SUNY). The Enacted Budget Financial Plan does not include any deposits to the Trust Fund.

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 Enacted Budget Financial Plan. For more information, see the "Litigation" section later in this AIS.

Storm Recovery

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

Climate Change Adaptation

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

government, State, municipalities, and public utilities are expected to be needed for adapting existing infrastructure to climate change risks.

Cybersecurity

New York State government, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the State and its public corporations and municipalities face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the State's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the State invests in multiple forms of cybersecurity and operational controls. While controls are routinely reviewed and tested, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage State digital networks and systems, and the costs of remediating any such event could be substantial.

Financial Condition of New York State Localities

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

Bond Market

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

Debt Reform Act Limit

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

Current projections anticipate that debt outstanding and debt service will continue to remain below the limits imposed by the Debt Reform Act. Based on the most recent personal income and debt outstanding forecasts, the available room under the debt outstanding cap is expected to decline from \$6.2 billion in FY 2017 to about \$82 million in FY 2021. This includes the estimated impact of the bond-financed portion of increased capital commitment levels. In addition, the projected room under the debt cap is dependent on expected growth for State personal income. Debt outstanding and debt service caps continue to include the existing SUNY Dormitory Facilities lease revenue bonds, which are backed by a general obligation pledge of SUNY. Bonds issued under the new SUNY Dormitory Facilities Revenue credit (which are not backed by a general obligation pledge of SUNY) are not included in the State’s calculation of debt caps. Capital spending priorities and debt financing practices may be adjusted from time to time to preserve available debt capacity and stay within the statutory limits, as events warrant.

DEBT OUTSTANDING SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT (millions of dollars)	
Year	Personal Income	Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
FY 2017	1,195,263	4.00%	47,811	41,623	6,188	3.48%	0.52%	7,999	49,622
FY 2018	1,258,906	4.00%	50,356	45,186	5,170	3.59%	0.41%	6,785	51,972
FY 2019	1,312,774	4.00%	52,511	50,374	2,137	3.84%	0.16%	5,760	56,133
FY 2020	1,372,947	4.00%	54,918	54,374	544	3.96%	0.04%	4,888	59,263
FY 2021	1,435,631	4.00%	57,425	57,343	82	3.99%	0.01%	3,415	60,758
FY 2022	1,500,293	4.00%	60,012	59,522	490	3.97%	0.03%	2,785	62,307

DEBT SERVICE SUBJECT TO CAP (millions of dollars)								TOTAL STATE-SUPPORTED DEBT SERVICE (millions of dollars)	
Year	All Funds Receipts	Cap %	Cap \$	Debt Service Since April 1, 2000	\$ Remaining Capacity	DS as a % of Revenue	% Remaining Capacity	Debt Service Prior to April 1, 2000	Total State-Supported Debt Service
FY 2017	156,372	5.00%	7,819	4,279	3,540	2.74%	2.26%	1,206	5,484
FY 2018	161,076	5.00%	8,054	4,572	3,482	2.84%	2.16%	733	5,304
FY 2019	165,389	5.00%	8,269	5,164	3,106	3.12%	1.88%	1,308	6,471
FY 2020	168,650	5.00%	8,433	5,781	2,651	3.43%	1.57%	1,324	7,105
FY 2021	170,599	5.00%	8,530	6,208	2,322	3.64%	1.36%	1,166	7,373
FY 2022	170,770	5.00%	8,538	6,524	2,015	3.82%	1.18%	739	7,263

The State's available debt capacity under its statutory debt cap reflects the impact of several factors in the Enacted Budget Financial Plan. These include a reduction to the personal income forecast, additional capital commitments approved in the Enacted Budget, and revised estimates for bond-financed capital spending, including potential underspending projected to occur as a result of

normal timing related to the delivery of capital projects. Debt capacity amounts continue to assume that SUNY Dormitory Facilities lease revenue bonds will be refunded into the new SUNY Dormitory Facilities Revenue Bond credit within one year of their call dates, and are adjusted to reflect refunding results to date. The impact on the debt cap is shown in the following chart.

DEBT OUTSTANDING SUBJECT TO CAP REMAINING CAPACITY SUMMARY						
(millions of dollars)						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FY 2018 Executive Budget Financial Plan	6,340	4,121	2,273	865	443	1,217
Personal Income Forecast Adjustment	(172)	(66)	(101)	(125)	(126)	(142)
Enacted Capital Reestimates	20	1,212	436	498	683	493
Enacted Capital Adds	0	(296)	(634)	(810)	(960)	(1,078)
SUNY Dorms Refunding Adjustment	0	199	163	116	42	0
FY 2018 Enacted Budget Financial Plan	6,188	5,170	2,137	544	82	490

Secured Hospital Program

Under the Secured Hospital Program, the State entered into service contracts to enable certain financially distressed not-for-profit hospitals to have tax-exempt debt issued on their behalf, to pay for upgrading their primary health care facilities. Revenues pledged to pay debt service on the bonds include hospital payments made under loan agreements between the Dormitory Authority of the State of New York (DASNY) and the hospitals and certain reserve funds held by the applicable trustees for the bonds. In the event of revenue shortfalls to pay debt service on the Secured Hospital bonds, the service contracts obligate the State to pay debt service, subject to annual appropriations by the Legislature, on bonds issued by DASNY through the Secured Hospital Program. As of March 31, 2017, there were approximately \$220 million of bonds outstanding for this program.

Three of the four remaining hospitals in the State's Secured Hospital Program are in poor financial condition. In relation to the Secured Hospital Program, the State's contingent contractual obligation was invoked to pay debt service for the first time in FY 2014. Since then the State has paid \$85 million for debt service costs. DASNY also estimates the State will pay debt service costs of approximately \$14 million in FY 2018, \$28 million annually in FY 2019 through FY 2021, and \$22 million in FY 2022. These amounts are based on the actual experience to date of the participants in the program, and would cover the debt service costs for one hospital whose debt service obligation was discharged in bankruptcy but is paying rent which offsets a portion of the debt service, a second hospital which closed in 2010, and a third hospital that is currently delinquent in its payments. The State has estimated additional exposure of up to \$9 million annually, if all hospitals in the Program failed to meet the terms of their agreements with DASNY and if available reserve funds were depleted.

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

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

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

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

The next closing, when title to the New Medical Site (NMS) portion of the LICH property is to be conveyed to NYU Hospitals Center (the NMS Closing), is anticipated to occur within 30 days after all buildings on the NMS are fully demolished and all environmental issues remediated by the Purchaser. In its efforts to complete the demolitions and environmental remediation, the Purchaser is addressing issues raised by adjoining property owners and community groups. These challenges have delayed, and may continue to delay, demolition and environmental remediation.

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

To date, Holdings has received no indication that NYU Hospitals Center intends to terminate its obligations under the purchase and sale agreement. As an alternative to termination, in light of

the delays, each of Holdings and NYU Hospitals Center has the contractual right at any time to take over and complete the demolition and environmental remediation at the Purchaser's sole cost and expense. If Holdings elects to take over the demolition and environmental remediation, it may do so directly or through a designee (i.e., a contractor).

The final closing is anticipated to occur within 36 months after the NMS Closing. At the final closing, title to the two remaining portions of the LICH properties will be conveyed to special purpose entities of Fortis, and Holdings will receive the balance of the purchase price, \$120 million less the remaining down payment. The final closing is conditioned upon completion of the 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.

2017 Legislative Session

The State's regular legislative session for 2017 is scheduled to end on June 21, 2017. Bills with a fiscal impact may be approved by the Legislature during the session and later signed or vetoed by the Governor. DOB continues to evaluate the fiscal impact of the legislative session and expects to reflect, in the First Quarterly Update to the Financial Plan, the estimated costs associated with any bills that may be signed by the Governor, not already reflected in the Enacted Budget Financial Plan.



**State Financial Plan Projections
Fiscal Years 2018 Through 2021**

Introduction

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

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

- **Receipts:** The detailed discussion of tax receipts covers projections for both the General Fund and State Funds (including capital projects). The State Funds perspective reflects estimated tax receipts before 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 38 percent of projected State-financed spending for State Operating Funds (excluding transfers) is accounted for outside of the General Fund, concentrated primarily in the areas of health care, School Aid, higher education, transportation, and mental hygiene. To provide a clearer picture of spending commitments, the multi-year projections and growth rates are presented, where appropriate, on both a General Fund and State Operating Funds basis.

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

Summary

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

The projections for FY 2019 and thereafter set forth in the Enacted Budget Financial Plan reflect savings that DOB estimates would be realized if the Governor continues to propose, and the Legislature continues to enact, balanced budgets in future years that limit annual growth in State Operating Funds spending to no greater than 2 percent. The calculations are developed using the State Operating Funds accounting perspective, as it is currently reflected in the Enacted budget Financial Plan. From time to time, the State has approved legislation that has affected the spending reflected in State Operating Funds.

Estimated savings are labeled on a distinct line in the Enacted Budget Financial Plan tables as “Adherence to 2 percent Spending Benchmark.” The total disbursements in the Enacted Budget Financial Plan tables do not assume these savings. Such savings will be developed and proposed in future budgets. If the State exceeds the 2 percent State Operating Funds spending benchmark in FY 2019, FY 2020, and/or FY 2021, the projected operating position could decline.

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

General Fund Projections

GENERAL FUND PROJECTIONS (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes (After Debt Service)	62,264	66,466	68,803	71,479	73,826
Miscellaneous Receipts/Federal Grants	3,813	2,152	2,128	2,135	2,058
Other Transfers	818	1,216	739	723	723
Total Receipts	66,895	69,834	71,670	74,337	76,607
DISBURSEMENTS					
Local Assistance Grants	44,439	47,069	50,112	53,101	55,745
School Aid	21,017	22,320	23,438	24,519	25,783
Medicaid/EP	12,447	13,361	14,163	15,226	16,039
All Other	10,975	11,388	12,511	13,356	13,923
State Operations	8,087	8,177	8,750	9,085	9,514
Personal Service	6,065	5,950	6,237	6,424	6,796
Non-Personal Service	2,022	2,227	2,513	2,661	2,718
General State Charges	5,462	5,789	6,328	6,792	7,357
Transfers to Other Funds	10,092	10,164	12,163	12,299	12,156
Debt Service	924	921	1,155	1,053	1,074
Capital Projects	2,569	2,627	4,068	3,899	3,479
State Share of Mental Hygiene Medicaid	1,239	1,301	1,231	1,119	1,119
SUNY Operations	996	1,015	1,005	1,001	1,001
All Other	4,364	4,300	4,704	5,227	5,483
Total Disbursements	68,080	71,199	77,353	81,277	84,772
Use (Reservation) of Fund Balance:	1,185	1,365	1,662	1,087	653
Community Projects	7	16	0	0	0
Labor Agreements	140	(130)	0	0	0
Undesignated Fund Balance	73	14	0	0	0
Extraordinary Monetary Settlements ¹	965	1,465	1,662	1,087	653
BUDGET SURPLUS/(GAP) PROJECTIONS²	0	0	(4,021)	(5,853)	(7,512)
Adherence to 2% Spending Benchmark³	n/a	n/a	3,230	5,855	7,955
BUDGET SURPLUS/(GAP) PROJECTIONS	0	0	(791)	2	443
¹ Reflect transfers of Extraordinary Monetary Settlement funds from the General Fund to the Dedicated Infrastructure Investment Fund, the Environmental Protection Fund, and the Capital Projects Fund. ² Before actions to adhere to the 2 percent benchmark. ³ Savings estimated from limiting annual spending growth in future years to 2 percent. Calculation based on current FY 2018 projections. The Governor is expected to propose, and negotiate with the Legislature to enact, budgets in each fiscal year that hold State Operating Funds spending growth to 2 percent. Assumes all savings from holding spending growth to 2 percent are made available to the General Fund. Total disbursements in Financial Plan tables and discussion do not reflect these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the operating position would decline.					

State Operating Funds Projections

STATE OPERATING FUNDS PROJECTIONS (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
RECEIPTS					
Taxes	72,989	76,599	79,898	83,142	85,813
Miscellaneous Receipts/Federal Grants	21,830	19,429	18,979	18,885	18,575
Total Receipts	94,819	96,028	98,877	102,027	104,388
DISBURSEMENTS					
Local Assistance Grants	64,369	66,058	68,990	72,041	74,742
School Aid (School Year Basis)	24,689	25,727	26,827	27,950	29,260
DOH Medicaid ¹	18,243	19,093	20,104	21,050	21,792
Tobacco Funding of Local Medicaid Takeover	0	(97)	(329)	(327)	(371)
Transportation	4,977	5,027	5,078	5,174	5,239
STAR	3,139	2,630	2,520	2,453	2,437
Higher Education	2,874	2,800	3,134	3,197	3,248
Social Services	2,935	2,968	3,056	3,203	3,276
Mental Hygiene	2,461	2,485	2,962	3,241	3,460
All Other ²	5,051	5,425	5,638	6,100	6,401
State Operations	18,680	18,692	19,175	19,577	20,119
Personal Service	13,093	12,910	13,179	13,454	13,925
Non-Personal Service	5,587	5,782	5,996	6,123	6,194
General State Charges	7,634	8,063	8,663	9,202	9,833
Pension Contribution	2,446	2,540	2,647	2,761	2,990
Health Insurance	3,708	3,983	4,260	4,551	4,860
All Other	1,480	1,540	1,756	1,890	1,983
Debt Service	5,514	5,319	6,499	7,134	7,402
Capital Projects	2	2	0	0	0
Total Disbursements	96,199	98,134	103,327	107,954	112,096
Net Other Financing Sources/(Uses)	364	353	(993)	(769)	(342)
RECONCILIATION TO GENERAL FUND GAP					
Designated Fund Balances:	1,016	1,753	1,422	843	538
General Fund	1,185	1,365	1,662	1,087	653
Special Revenue Funds	(185)	391	(237)	(239)	(110)
Debt Service Funds	16	(3)	(3)	(5)	(5)
GENERAL FUND BUDGET SURPLUS/(GAP)³	0	0	(4,021)	(5,853)	(7,512)
Adherence to 2% Spending Benchmark⁴	n/a	n/a	3,230	5,855	7,955
GENERAL FUND BUDGET SURPLUS/(GAP)	0	0	(791)	2	443

¹ Includes the Essential Plan (EP), which is an insurance plan for individuals who are not eligible for Medicaid and who meet certain income threshold standards. The Essential Plan is not a Medicaid program; however, State-funded support is managed within total DOH Medicaid Global Cap resources. In addition, total state share Medicaid funding includes the utilization of tobacco MSA proceeds which will be directly deposited to the MMIS Escrow Fund to cover a portion of Local Medicaid growth.

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

³ Before actions to adhere to the 2 percent benchmark.

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

Receipts

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

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

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

Where noted, certain tables in the following section display General Fund tax receipts that exclude amounts transferred to the General Fund in excess of amounts needed for certain debt service obligations (e.g., PIT receipts in excess of the amount transferred for debt service on revenue bonds). 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 2018 are projected to total \$161.1 billion, an increase of 3 percent from FY 2017 preliminary results.

ALL FUNDS RECEIPTS (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
Personal Income Tax	47,565	49,382	3.8%	51,873	5.0%	53,919	3.9%	55,467	2.9%
Consumption/Use Taxes	16,212	16,861	4.0%	17,479	3.7%	18,029	3.1%	18,600	3.2%
Business Taxes	6,979	7,969	14.2%	8,127	2.0%	8,587	5.7%	8,957	4.3%
Other Taxes	2,236	2,276	1.8%	2,311	1.5%	2,420	4.7%	2,535	4.8%
Payroll Mobility Tax	1,380	1,438	4.2%	1,503	4.5%	1,578	5.0%	1,645	4.2%
Total State Taxes	74,372	77,926	4.8%	81,293	4.3%	84,533	4.0%	87,204	3.2%
Miscellaneous Receipts	26,594	26,509	-0.3%	26,580	0.3%	26,301	-1.0%	25,398	-3.4%
Federal Receipts	55,406	56,642	2.2%	57,516	1.5%	57,819	0.5%	57,998	0.3%
Total All Funds Receipts	156,372	161,077	3.0%	165,389	2.7%	168,653	2.0%	170,600	1.2%

State tax receipts are estimated to increase 4.8 percent in FY 2018, with increases across all tax categories. The estimated rebound to moderate growth is due to taxpayer behavior impacts that reduced FY 2017 collections but are not expected to recur in FY 2018.

Consistent with the projected growth in the New York economy over the multi-year Financial Plan period beyond FY 2018, all tax categories are projected to exhibit growth.

After controlling for the impact of tax law changes, base tax revenue decreased 0.1 percent in FY 2017, and is projected to increase by 4.6 percent in FY 2018 and 4.7 percent in FY 2019.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	47,565	49,382	3.8%	51,873	5.0%	53,919	3.9%	55,467	2.9%
Gross Collections	56,517	59,310	4.9%	62,991	6.2%	65,995	4.8%	66,821	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,928)	-10.9%	(11,118)	-12.0%	(12,076)	-8.6%	(11,354)	6.0%
GENERAL FUND¹	32,535	34,406	5.8%	36,385	5.8%	37,986	4.4%	39,215	3.2%
Gross Collections	56,517	59,310	4.9%	62,991	6.2%	65,995	4.8%	66,821	1.3%
Refunds (Incl. State/City Offset)	(8,952)	(9,928)	-10.9%	(11,118)	-12.0%	(12,076)	-8.6%	(11,354)	6.0%
STAR	(3,139)	(2,630)	16.2%	(2,520)	4.2%	(2,453)	2.7%	(2,385)	2.8%
RBTF	(11,891)	(12,346)	-3.8%	(12,968)	-5.0%	(13,480)	-3.9%	(13,867)	-2.9%

¹Excludes Transfers.

All Funds personal income tax receipts for FY 2018 are projected to be \$49.4 billion, an increase of \$1.8 billion (3.8 percent) from FY 2017 results. This increase includes growth in withholding and estimated vouchers for tax year 2017. Growth in these categories is partially offset by a decline in final returns and extension payments attributable to the 2016 tax year, and total refunds.

The following table summarizes, by component, actual receipts for FY 2017 and forecast amounts through FY 2021.

ALL FUNDS PERSONAL INCOME TAX FISCAL YEAR COLLECTION COMPONENTS					
(millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
Receipts					
Withholding	37,524	39,459	41,314	42,557	43,543
Estimated Payments	14,972	15,924	17,521	19,069	18,712
Current Year	10,912	12,428	13,379	14,392	13,233
Prior Year ¹	4,060	3,496	4,142	4,677	5,479
Final Returns	2,588	2,511	2,669	2,818	2,978
Current Year	260	274	289	304	319
Prior Year ¹	2,328	2,237	2,380	2,514	2,659
Delinquent	1,433	1,416	1,487	1,551	1,588
Gross Receipts	56,517	59,310	62,991	65,995	66,821
Refunds					
Prior Year ¹	4,952	5,818	6,385	6,895	7,321
Previous Years	468	495	520	550	580
Current Year ^{1,2}	2,003	2,053	2,068	2,098	2,125
Advanced Credit Payment	678	689	1,247	1,709	479
State/City Offset ¹	851	873	898	824	849
Total Refunds	8,952	9,928	11,118	12,076	11,354
Net Receipts	47,565	49,382	51,873	53,919	55,467

¹ These components, collectively, are known as the "settlement" on the prior year's tax liability.
² Reflects the January-March administrative refund cap of \$1,750 in all years plus all refund offsets.

Withholding in FY 2018 is estimated to be \$1.9 billion (5.2 percent) higher than FY 2017 results, driven by moderate wage growth partially associated with improved bonus growth. Extension payments related to tax year 2016 declined by \$564 million (13.9 percent), primarily due to declines in capital gains resulting, at least in part, from apparent taxpayer belief that Federal tax rates would be lower for tax year 2017. Estimated payments for tax year 2017 are projected to grow \$1.5 billion (13.9 percent), primarily due to an increase in net capital gains income, coming off a lower base from tax year 2016. Final return payments and delinquencies are projected to be \$77 million (3 percent) lower and \$17 million (1.2 percent) lower than FY 2017 results, respectively.

The projected increase in total refunds of \$976 million (10.9 percent) includes a \$866 million increase (17.5 percent) in prior (tax year 2016) refunds, a \$27 million (5.8 percent) increase in previous (tax year 2015 and earlier) refunds, an \$11 million (1.6 percent) increase in advanced credit payments related to tax year 2017, and a \$22 million (2.6 percent) increase in the state-city offset.

General Fund PIT receipts are net of deposits to the STAR Fund, which provide 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 2018 of \$34.4 billion are estimated to increase by \$1.9 billion (5.8 percent) from FY 2017 results, mainly reflecting the increase in All Funds receipts noted above. RBTF deposits are projected to be \$12.3 billion and the STAR transfer is projected to be \$2.6 billion.

All Funds PIT receipts for FY 2019 of \$51.9 billion are projected to increase by \$2.5 billion (5 percent) from FY 2018 estimates. Gross PIT receipts are projected to increase 6.2 percent, reflecting withholding that is projected to grow by \$1.9 billion (4.7 percent) and estimated payments related to tax year 2018 that are projected to grow by \$951 million (7.7 percent). Payments from extensions for tax year 2017 are projected to increase by \$646 million (18.5 percent), reflecting the taxpayer behavior related to potential Federal tax rate changes noted earlier. Final returns are expected to increase by \$158 million (6.3 percent) and delinquencies are projected to increase \$71 million (5 percent) from the prior year. Total refunds are projected to increase by \$1.2 billion (12 percent) from the prior year, primarily due to the property tax relief credit enacted in 2015 and the recent conversions of New York City STAR benefits into State tax credits.

General Fund PIT receipts for FY 2019 of \$36.4 billion are projected to increase by nearly \$2 billion (5.8 percent). RBTF deposits are projected to be \$13 billion, and the STAR transfer is projected to be \$2.5 billion.

All Funds PIT receipts for FY 2020 of \$53.9 billion are projected to increase by \$2 billion (3.9 percent) from FY 2019 estimates. Gross PIT receipts are projected to increase 4.8 percent, reflecting withholding that is projected to grow by \$1.2 billion (3 percent). The relatively low growth rate reflects the expiration of the Enacted Budget two-year high-income surcharge extension through tax year 2019. Estimated payments related to tax year 2019 are projected to grow by \$1 billion (7.6 percent), while payments from extensions for tax year 2018 are projected to increase by \$535 million (12.9 percent), and final returns are expected to increase by \$149 million (5.6 percent). Delinquencies are projected to increase \$64 million (4.3 percent) from the prior year. Total refunds are projected to increase by \$1 billion (8.6 percent) from the prior year.

General Fund PIT receipts for FY 2020 of \$38 billion are projected to increase by \$1.6 billion (4.4 percent). RBTF deposits are projected to be \$13.5 billion, and the STAR transfer is projected to be \$2.5 billion.

All Funds PIT receipts in FY 2021 are projected to increase by \$1.5 billion to \$55.5 billion, while General Fund PIT receipts are projected to total \$39.2 billion. This projected slow growth is driven by the expiration of the high-income surcharge rate extension in tax year 2020, combined with continued phase-in of the FY 2017 Enacted Budget middle income tax cuts.

Consumption/Use Taxes

CONSUMPTION/USE TAXES									
(millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
STATE/ALL FUNDS	16,212	16,861	4.0%	17,479	3.7%	18,029	3.1%	18,600	3.2%
Sales Tax	13,869	14,584	5.2%	15,178	4.1%	15,766	3.9%	16,371	3.8%
Cigarette and Tobacco Taxes	1,236	1,190	-3.7%	1,150	-3.4%	1,104	-4.0%	1,061	-3.9%
Motor Fuel Tax	519	515	-0.8%	512	-0.6%	507	-1.0%	504	-0.6%
Highway Use Tax	138	96	-30.4%	142	47.9%	142	0.0%	143	0.7%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%
Medical Marihuana Excise Tax	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
Taxicab Surcharge	64	64	0.0%	64	0.0%	64	0.0%	64	0.0%
TNC Assessment	0	12	0.0%	24	100.0%	24	0.0%	24	0.0%
Auto Rental Tax	127	137	7.9%	141	2.9%	149	5.7%	156	4.7%
GENERAL FUND¹	7,101	7,438	4.7%	7,726	3.9%	7,996	3.5%	8,274	3.5%
Sales Tax	6,483	6,821	5.2%	7,101	4.1%	7,377	3.9%	7,661	3.8%
Cigarette and Tobacco Taxes	360	343	-4.7%	334	-2.6%	323	-3.3%	313	-3.1%
Alcoholic Beverage Taxes	258	262	1.6%	267	1.9%	272	1.9%	276	1.5%
TNC Assessment	0	12	0.0%	24	100.0%	24	0.0%	24	0.0%

¹Excludes Transfers.

All Funds consumption/use tax receipts for FY 2018 are estimated to be nearly \$16.9 billion, a \$649 million (4 percent) increase from FY 2017 results. Sales tax receipts are estimated to increase \$715 million (5.2 percent) from the prior year. Cash growth exceeds base growth (i.e., absent law changes) of 4.1 percent primarily due to agreements between certain mobile telecommunication providers and the State to allow such providers to remit less sales tax for a period, ending in April 2017, in lieu of receiving State refunds due to them under Tax Law Section 184. These agreements resulted from acknowledgement by DTF that a mobile telecommunications provider was not subject to the Tax Law Section 184 franchise tax imposed on them between 2005 and 2014. Cigarette and tobacco tax collections are estimated to decrease by \$46 million (3.7 percent). This mainly reflects an expected continued decline in taxable cigarette consumption. The decline is moderated by enforcement efforts of the Cigarette Strike Force. Highway use tax (HUT) collections are estimated to decrease by \$42 million (30.4 percent) due to an increase in refund payments of \$44.4 million as a result of the Independent Owner Operator Drivers Association v. New York Department of Taxation and Finance court decision that lowered HUT registration and decal fees (per truck) from \$19 to \$1.50. Motor fuel tax collections are estimated to decrease by \$4 million (0.8 percent), reflecting an increase in refund payments partially offset by slight growth in both taxable motor fuel and diesel fuel consumption. The newly enacted Transportation Network Company (TNC) assessment is estimated to generate \$12 million in All Funds receipts, as it will only be in effect for part of the fiscal year. Auto rental Tax receipts are estimated to increase by \$10 million (7.9 percent).

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

General Fund consumption/use tax receipts for FY 2018 are estimated to total over \$7.4 billion, a \$337 million (4.7 percent) increase from FY 2017 results. This increase largely reflects the All Funds sales and cigarette and tobacco tax trends noted above and the part-year impact of the newly enacted TNC assessment.

All Funds consumption/use tax receipts for FY 2019 are projected to be nearly \$17.5 billion, a \$618 million (3.7 percent) increase from FY 2018. The projected \$594 million (4.1 percent) increase in sales tax receipts reflects sales tax base growth of 3.9 percent, slightly lower than the prior fiscal year. Consumption of taxable services and disposable income are projected to grow at a slower pace than in FY 2018. The TNC assessment in its first fully effective year is projected to generate \$24 million in FY 2019. The projected \$46 million (47.9 percent) increase in HUT collections are due to lower refund payments as they return to long-term trend levels following the prior year's significant increase as a result of the court decision noted above. A continued trend decline in taxable cigarette consumption is also projected.

General Fund consumption/use tax receipts are projected to total over \$7.7 billion in FY 2019, a \$288 million (3.9 percent) increase from FY 2018. The projected increase largely reflects the All Funds sales and cigarette and tobacco tax trends noted above and the first full year impact of the TNC assessment.

All Funds consumption/use tax receipts for FY 2020 are projected to be \$18 billion, a \$550 million (3.1 percent) increase from FY 2019. The projected \$588 million (3.9 percent) increase in sales tax receipts reflects sales tax base growth of 4 percent. The All Funds sales tax increase is slightly offset by a trend decline in taxable cigarette consumption. FY 2020 General Fund consumption/use tax receipts are projected to increase to nearly \$8 billion, a \$270 million (3.5 percent) increase from FY 2019.

All Funds consumption/use tax receipts are projected to reach \$18.6 billion (3.2 percent growth) in FY 2021, largely representing base growth in sales tax receipts, slightly offset by a continued trend decline in taxable cigarette consumption.

General Fund consumption/use tax receipts are projected to increase to nearly \$8.3 billion (3.5 percent growth) in FY 2021, reflecting the All Funds trends noted above.

Business Taxes

BUSINESS TAXES (millions of dollars)											
	FY 2017		FY 2018			FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change		
STATE/ALL FUNDS	6,979	7,969	14.2%	8,127	2.0%	8,587	5.7%	8,957	4.3%		
Corporate Franchise Tax	3,166	4,175	31.9%	4,373	4.7%	4,823	10.3%	5,123	6.2%		
Corporation and Utilities Tax	720	765	6.3%	744	-2.7%	754	1.3%	764	1.3%		
Insurance Tax	1,580	1,616	2.3%	1,745	8.0%	1,828	4.8%	1,965	7.5%		
Bank Tax	389	328	-15.7%	143	-56.4%	71	-50.3%	0	-100.0%		
Petroleum Business Tax	1,124	1,085	-3.5%	1,122	3.4%	1,111	-1.0%	1,105	-0.5%		
GENERAL FUND	4,761	5,718	20.1%	5,770	0.9%	6,190	7.3%	6,522	5.4%		
Corporate Franchise Tax	2,476	3,406	37.6%	3,524	3.5%	3,924	11.4%	4,187	6.7%		
Corporation and Utilities Tax	538	585	8.7%	563	-3.8%	569	1.1%	575	1.1%		
Insurance Tax	1,410	1,447	2.6%	1,561	7.9%	1,637	4.9%	1,760	7.5%		
Bank Tax	337	280	-16.9%	122	-56.4%	60	-50.8%	0	-100.0%		
Petroleum Business Tax	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%		

All Funds business tax receipts for FY 2018 are estimated to total nearly \$8 billion, an increase of \$990 million (14.2 percent) from FY 2017 results. The estimate reflects increases for the corporation franchise tax, corporation and utilities tax and insurance tax partially offset by decreases in the bank tax and the petroleum business tax.

Corporation franchise tax receipts are estimated to increase \$1 billion (31.9 percent) in FY 2018, reflecting a rebound in gross receipts and audits. FY 2017 results were negatively impacted by a cut in the business income tax rate from 7.1 to 6.5 percent as well as a shortfall in cash remittances on tax year 2015 final returns (due in March 2017 with permissible extension). This lack of March 2017 cash remittances indicated taxpayers significantly overpaid on 2015 liability during previous estimated payment events. This is not expected to be repeated when tax year 2016 final returns are submitted in FY 2018. Additionally, corporate profit growth is estimated to be 6.3 percent for tax year 2017. Audit receipts are estimated to be significantly higher in FY 2018 (\$288 million) as a greater number of large cases are expected to be closed.

Corporation and utilities tax receipts are estimated to increase \$45 million (6.3 percent) in FY 2018. Gross receipts are expected to increase from FY 2017 results as a result of late filings of mandatory first installment payments. The 2017 mandatory first installment was due March 15th, but several taxpayers filed these payments in April 2017. Audits are expected to decline slightly.

Insurance tax receipts for FY 2018 are estimated to increase \$36 million (2.3 percent) from FY 2017 results. Projected growth in tax year 2017 liability is partially offset by higher refunds as life insurers continue to claim the tax credit for assessments paid to the Life Insurance Guaranty Corporation (LIGC). The LIGC exists to protect policyholders from the insolvency of their life insurers. This is the second year of refund claims for the credit for assessments paid earlier.

Receipts from the repealed bank tax (all from prior liability periods) are estimated to decrease by \$61 million in FY 2018. This decrease stems from lower audit receipts (\$99 million) partially offset by lower prior period adjustments.

Petroleum Business Tax (PBT) receipts are estimated to decrease \$39 million (3.5 percent) in FY 2018, primarily due to the 5 percent decrease in the PBT rate index effective January 2017. This decline is partially offset by estimated slight growth in both taxable motor fuel and diesel fuel consumption and the estimated 5 percent increase in the PBT rate index effective January 2018.

General Fund business tax receipts for FY 2018 of \$5.7 billion are estimated to increase \$957 million (20.1 percent) from FY 2017 results, reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2019 of \$8.1 billion are projected to increase by \$158 million (2 percent) from the current year. The increase in corporation franchise tax receipts of \$198 million (4.7 percent) reflects projected growth in corporate profits. The corporation and utilities tax receipts decline of \$21 million (2.7 percent) is attributable to the one-time late filings (April 2017) that are not expected to repeat in FY 2019.

Insurance tax receipts for FY 2019 of over \$1.7 billion are projected to increase \$129 million (8 percent) from the current year. Projected growth in insurance tax premiums combined with lower expected LIGC credit claims contribute to this year-over-year growth. Bank tax receipts are projected to decrease by \$185 million (56.4 percent), due to lower projected audit receipts. PBT receipts are projected to increase \$37 million (3.4 percent) in FY 2019, primarily due to the estimated 5 percent increase in the PBT rate index effective January 2018 and a projected 4.7 percent increase in the PBT rate index effective January 2019. These increases are partially offset by a projected slight decline in taxable motor fuel and diesel fuel consumption.

General Fund business tax receipts for FY 2019 of nearly \$5.8 billion are projected to increase \$52 million (0.9 percent), reflecting the All Funds trends discussed above.

All Funds business tax receipts for FY 2020 of \$8.6 billion are projected to increase by \$460 million (5.7 percent), and General Fund business tax receipts are projected to increase to \$6.2 billion (7.3 percent growth) from the previous year. The projection primarily reflects growth in the corporation franchise tax driven by higher gross receipts and lower refunds. Increases in the corporation and utilities and insurance taxes are offset by declines in the bank and petroleum business taxes.

All Funds business tax receipts for FY 2021 reflect projected trends in corporate profits, taxable insurance premiums, electric utility consumption and prices, the consumption of taxable telecommunications services, and automobile fuel consumption and fuel prices. In FY 2021, All Funds business tax receipts are projected to increase to \$9 billion (4.3 percent growth), and General Fund business tax receipts are projected to increase to \$6.5 billion (5.4 percent growth).

Other Taxes

OTHER TAXES (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE/ALL FUNDS	2,236	2,276	1.8%	2,311	1.5%	2,420	4.7%	2,535	4.8%
Estate Tax	1,091	1,052	-3.6%	1,033	-1.8%	1,092	5.7%	1,155	5.8%
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	1,126	1,204	6.9%	1,258	4.5%	1,308	4.0%	1,360	4.0%
Pari-Mutuel Taxes	16	17	6.3%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%
GENERAL FUND¹	1,110	1,072	-3.4%	1,053	-1.8%	1,112	5.6%	1,175	5.7%
Estate Tax	1,091	1,052	-3.6%	1,033	-1.8%	1,092	5.7%	1,155	5.8%
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	16	17	6.3%	17	0.0%	17	0.0%	17	0.0%
All Other Taxes	3	3	0.0%	3	0.0%	3	0.0%	3	0.0%

¹Excludes Transfers.

All Funds other tax receipts for FY 2018 are estimated to be nearly \$2.3 billion, an increase of \$40 million (1.8 percent) from FY 2017 results. This largely reflects an estimated decrease in estate tax receipts of \$39 million (3.6 percent) from the continued phase-in of the increased filing threshold, partially offset by an estimated increase in real estate transfer tax receipts of \$78 million (6.9 percent) primarily due to projected growth in both housing starts and housing prices.

General Fund other tax receipts are estimated to be just under \$1.1 billion in FY 2018, a decrease of \$38 million (3.4 percent) from FY 2017 results, reflecting the decrease in estate tax receipts noted above.

All Funds other tax receipts for FY 2019 are projected to be over \$2.3 billion, an increase of \$35 million (1.5 percent) from FY 2018. Estate tax receipts are projected to decrease by \$19 million (1.8 percent) reflecting the continuation of the phase-in of the increased filing threshold, partially offset by projected growth in household net worth. Real estate transfer tax receipts are projected to increase by \$54 million (4.5 percent), reflecting projected growth in housing starts and housing prices.

General Fund other tax receipts for FY 2019 are projected to decrease by \$19 million (1.8 percent) due to the projected decline in estate tax receipts noted above.

All Funds other tax receipts for FY 2020 are projected to be over \$2.4 billion, a \$109 million (4.7 percent) increase from FY 2019. Estate tax receipts are projected to increase by \$59 million (5.7 percent) reflecting projected growth in household net worth and the conclusion of the phase-in of the increased filing threshold. Real estate transfer tax receipts are projected to increase by \$50 million (4 percent), reflecting projected growth in housing starts and prices.

General Fund other tax receipts for FY 2020 are projected to increase by \$59 million (5.6 percent), due to the projected increase in estate tax receipts noted above.

All Funds other tax receipts for FY 2021 reflect projected trend growth in household net worth, housing starts, and housing prices. FY 2021 All Funds other tax receipts are projected to increase by \$115 million (4.8 percent growth), and General Fund other tax receipts are projected to increase by \$63 million (5.7 percent growth), reflecting the household net worth trends noted above.

Miscellaneous Receipts and Federal Grants

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

MISCELLANEOUS RECEIPTS (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
ALL FUNDS	26,594	26,509	-0.3%	26,580	0.3%	26,301	-1.0%	25,398	-3.4%
General Fund	3,813	2,152	-43.6%	2,128	-1.1%	2,135	0.3%	2,058	-3.6%
Special Revenue Funds	17,686	16,956	-4.1%	16,531	-2.5%	16,429	-0.6%	16,206	-1.4%
Capital Projects Funds	4,637	6,942	49.7%	7,463	7.5%	7,278	-2.5%	6,682	-8.2%
Debt Service Funds	458	459	0.2%	458	-0.2%	459	0.2%	452	-1.5%

All Funds miscellaneous receipts are estimated to total \$26.5 billion in FY 2018, a decrease of 0.3 percent from FY 2017 results. This decrease is primarily due to the impact of Extraordinary Monetary Settlements received in the General Fund during FY 2017, as described earlier in this AIS. In addition to the impact of Extraordinary Monetary Settlements, declining FY 2018 miscellaneous receipts are driven in part by year-to-year variations in health care surcharges and other HCRA resources, bond proceeds, and tuition income revenue.

All Funds miscellaneous receipts are projected to remain relatively flat in FY 2019 and FY 2020, then decrease in FY 2021 related to a year-over-year decrease in bond proceeds reimbursements, which subsequently corresponds to the spend out of bond-financed capital projects.

FEDERAL GRANTS (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	<u>Results</u>	<u>Enacted</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>	<u>Projected</u>	<u>Change</u>
ALL FUNDS	55,406	56,642	2.2%	57,516	1.5%	57,819	0.5%	57,998	0.3%
General Fund	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Special Revenue Funds	52,725	54,323	3.0%	55,014	1.3%	55,531	0.9%	55,754	0.4%
Capital Projects Funds	2,608	2,246	-13.9%	2,429	8.1%	2,215	-8.8%	2,171	-2.0%
Debt Service Funds	73	73	0.0%	73	0.0%	73	0.0%	73	0.0%

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

All Funds Federal grants are projected to grow to \$58 billion by FY 2021, primarily reflecting the continuation of growth in Federal Medicaid spending related to Federal health care transformation initiatives, partly offset by the projected phase-down of Federal disaster assistance aid. All Federal receipts are subject to continuing administration and Congressional authorization, appropriations and budget action.

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

Disbursements

Total disbursements in FY 2018 are estimated at \$71.2 billion in the State's General Fund (including transfers) and \$98.2 billion in total State Operating Funds. School Aid, Medicaid, pensions, debt service, and health benefits are significant drivers of annual spending growth.

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

Local Assistance Grants

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

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

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES (millions of dollars)					
	FY 2017 Results ¹	FY 2018 Enacted	Forecast		
			FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
MEDICAID					
Individuals Covered	6,217,239	6,284,551	6,318,208	6,335,036	6,343,450
- Essential Plan	713,091	723,020	727,880	730,483	733,095
- Child Health Plus (Caseload)	305,560	309,866	314,232	318,659	323,149
State Takeover of County/NYC Costs ²	\$2,891	\$3,228	\$3,565	\$3,889	\$4,212
EDUCATION					
School Aid (School Year Basis Funding)	\$24,689	\$25,727	\$26,827	\$27,950	\$29,260
HIGHER EDUCATION					
Public Higher Education Enrollment (FTEs)	562,873	574,523	N/A	N/A	N/A
Tuition Assistance Program (Recipients)	285,920	293,473	N/A	N/A	N/A
PUBLIC ASSISTANCE					
Family Assistance Program (Families)	234,902	230,387	227,493	224,803	222,161
Safety Net Program (Families)	123,264	121,194	119,638	118,217	116,832
Safety Net Program (Singles)	204,947	207,139	209,728	212,134	214,779
MENTAL HYGIENE					
OMH Community Beds	43,077	44,526	46,957	48,057	48,257
OPWDD Community Beds	42,737	43,165	43,596	44,032	44,472
OASAS Community Beds	13,370	13,491	13,532	13,672	13,707
Total	99,184	101,182	104,085	105,761	106,436
PRISON POPULATION					
	51,300	51,000	51,000	51,000	51,000

¹ Reflects preliminary unaudited results.
² Reflects the total State cost of taking over the local share of Medicaid growth, which was initially capped at approximately 3 percent annually, then phased-out completely as of calendar year 2015.

Education

School Aid

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

School Year (July 1 -June 30)

School Aid is expected to increase by \$1.0 billion (4.2 percent) in SY 2018, including a \$700 million Foundation Aid increase. A Community Schools set-aside of \$150 million within Foundation Aid, a \$50 million increase from the prior year, provides funds intended to facilitate the transformation of schools into community hubs. In addition, another \$288 million supports increased reimbursement in expense-based aid programs such as transportation, Boards of Cooperative Educational Services (BOCES), school construction, and other miscellaneous aid categories.

The Enacted Budget Financial Plan also provides \$50 million in new competitive grant programs, highlighted by a \$35 million investment to expand after-school programs targeted towards low-income students within high need communities, and \$5 million to expand prekindergarten for three- and four-year olds in high-need school districts. New York State provides over \$800 million in recurring annual support for three- and four-year old prekindergarten programs, including \$340 million for the Statewide Universal Full-Day Prekindergarten programs.

School Aid is projected to increase by an additional \$1.1 billion (4.3 percent) in SY 2019, based largely on personal income growth.

SCHOOL AID - SCHOOL YEAR BASIS (JULY 1 - JUNE 30) ¹									
(millions of dollars)									
	<u>SY 2017</u>	<u>SY 2018</u>	<u>Change</u>	<u>SY 2019</u>	<u>Change</u>	<u>SY 2020</u>	<u>Change</u>	<u>SY 2021</u>	<u>Change</u>
Total	24,689	25,727	1,038 4.2%	26,827	1,100 4.3%	27,950	1,123 4.2%	29,260	1,310 4.7%

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

State Fiscal Year

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

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

SCHOOL AID - STATE FISCAL YEAR BASIS (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	24,351	25,762	5.8%	26,806	4.1%	27,923	4.2%	29,190	4.5%
General Fund Local Assistance	21,017	22,319	6.2%	23,438	5.0%	24,519	4.6%	25,783	5.2%
Core Lottery Aid	2,360	2,395	1.5%	2,294	-4.2%	2,288	-0.3%	2,291	0.1%
VLT Lottery Aid	957	927	-3.1%	870	-6.1%	888	2.1%	888	0.0%
Commercial Gaming - VLT Offset	4	40	900.0%	88	120.0%	70	-20.5%	70	0.0%
Commercial Gaming	13	81	523.1%	116	43.2%	158	36.2%	158	0.0%

State fiscal year spending for School Aid is projected to total \$25.8 billion in FY 2018. Over the multi-year Financial Plan, an increasing share of School Aid spending is projected to be financed by commercial gaming revenues as opposed to traditional core lottery sales, as described in greater detail below. In addition to State aid, school districts currently receive more than \$3 billion annually in Federal aid.

State aid payments for School Aid were supplemented by commercial gaming revenues in FY 2017, following the State's receipt of one-time licensing fees in FY 2016. These receipts are expected to increase in FY 2018 and the outyears, with gaming revenues shared by the State and commercial gaming facilities. Between December 2014 and August 2016, four casino resorts were recommended by the State's Gaming Facility Location Board and approved by the State Gaming Commission. Three of the four approved casinos have since opened and are in operation, and the fourth approved casino is expected to open in 2018. In the event that casino revenue resources do not materialize at the level expected, or as timely as expected, then the additional School Aid projected to be funded from casino revenue resources must be paid from the General Fund.

Other Education Funding

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

OTHER EDUCATION (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,193	2,269	3.5%	2,385	5.1%	2,475	3.8%	2,619	5.8%
Special Education	1,317	1,338	1.6%	1,453	8.6%	1,571	8.1%	1,690	7.6%
All Other Education	876	931	6.3%	932	0.1%	904	-3.0%	929	2.8%

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

FY 2018 Special Education spending is projected to increase by 2.0 percent over FY 2017 due, in part, to the timing of rate-setting related to these programs. All Other Education growth reflects increased reimbursement of charter school supplemental basic tuition and facilities aid to New York City charter schools in privately-leased space.

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

School Tax Relief Program

The STAR program provides school tax relief to taxpayers by exempting the first \$30,000 of every eligible homeowner's property value from the local school tax levy. Lower-income senior citizens receive a \$65,500 exemption in FY 2018. The DTF oversees local property assessment administration, and is responsible for establishing STAR property tax exemption amounts.

The three components of STAR and their approximate shares of projected FY 2018 program costs are: the basic school property tax exemption or credit for homeowners with incomes under \$500,000 (58 percent); enhanced school property tax exemption or credit for senior citizen homeowners with incomes under \$86,000 (31 percent); and a credit for income-eligible resident New York City personal income taxpayers (11 percent). The Enacted Budget includes the conversion of the New York City PIT rate reduction benefit into a PIT tax credit, which will reduce and eventually eliminate it as a component of State Operating Funds spending. This change will have no impact on the value of the STAR benefit received by taxpayers.

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

SCHOOL TAX RELIEF (STAR) - REVENUE REDUCTION RESULTING FROM STAR ACTIONS									
(millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	3,139	2,630	-16.2%	2,520	-4.2%	2,453	-2.7%	2,437	-0.7%
Gross Program Costs	3,330	3,457	3.8%	3,458	0.0%	3,509	1.5%	3,613	3.0%
Program Conversion	0	(277)	0.0%	0	100.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(191)	(492)	-157.6%	(938)	-90.7%	(1,056)	-12.6%	(1,176)	-11.4%
FY 2017 Overpayment ¹	0	(58)	0.0%	0	100.0%	0	0.0%	0	0.0%
Basic Exemption	1,695	1,672	-1.4%	1,636	-2.2%	1,592	-2.7%	1,582	-0.6%
Gross Program Costs	1,763	1,807	2.5%	1,839	1.8%	1,862	1.3%	1,920	3.1%
Personal Income Tax Credit	(68)	(135)	-98.5%	(203)	-50.4%	(270)	-33.0%	(338)	-25.2%
Enhanced (Senior) Exemption	916	903	-1.4%	884	-2.1%	861	-2.6%	855	-0.7%
Gross Program Costs	952	976	2.5%	993	1.7%	1,007	1.4%	1,037	3.0%
Personal Income Tax Credit	(36)	(73)	-102.8%	(109)	-49.3%	(146)	-33.9%	(182)	-24.7%
New York City PIT	528	55	-89.6%	0	-100.0%	0	0.0%	0	0.0%
Gross Program Costs	615	674	9.6%	626	-7.1%	640	2.2%	656	2.5%
Program Conversion	0	(277)	0.0%	0	100.0%	0	0.0%	0	0.0%
Personal Income Tax Credit	(87)	(284)	-226.4%	(626)	-120.4%	(640)	-2.2%	(656)	-2.5%
FY 2017 Overpayment ¹	0	(58)	0.0%	0	100.0%	0	0.0%	0	0.0%

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

Much of the spending decline projected for FY 2018 is due to a timing change involving when the NYC rate reduction benefit is paid out upon conversion to a PIT credit. STAR actions enacted with the FY 2017 budget will result in reduced revenues in addition to the spending changes noted above. Projected revenue reductions will increase over the course of the Financial Plan as STAR actions are implemented, in particular those driven by the conversion of the New York City PIT rate reduction benefit.

Higher Education

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

HIGHER EDUCATION (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	2,874	2,800	-2.6%	3,134	11.9%	3,197	2.0%	3,248	1.6%
City University	1,424	1,410	-1.0%	1,485	5.3%	1,509	1.6%	1,535	1.7%
Senior Colleges	1,176	1,151	-2.1%	1,230	6.9%	1,254	2.0%	1,280	2.1%
Community College	248	259	4.4%	255	-1.5%	255	0.0%	255	0.0%
Higher Education Services	958	898	-6.3%	1,149	28.0%	1,188	3.4%	1,213	2.1%
Tuition Assistance Program	896	774	-13.6%	954	23.3%	965	1.2%	972	0.7%
Scholarships/Awards	51	112	119.6%	183	63.4%	211	15.3%	229	8.5%
Aid for Part-Time Study	11	12	9.1%	12	0.0%	12	0.0%	12	0.0%
State University	492	492	0.0%	500	1.6%	500	0.0%	500	0.0%
Community College	487	487	0.0%	496	1.8%	496	0.0%	496	0.0%
Other/Cornell	5	5	0.0%	4	-20.0%	4	0.0%	4	0.0%

SUNY and CUNY administer 47 four-year colleges and graduate schools with a total enrollment of 403,000 full- and part-time students. SUNY and CUNY also operate 37 community colleges, serving 324,000 students. Spending for SUNY is concentrated in State Operations and thus does not appear in the table above. State funds support a significant portion of SUNY and CUNY operations. In addition to a \$1.1 billion General Fund transfer to support operations, the State pays employee fringe benefit costs for SUNY¹⁸. The State support for SUNY fringe benefits is estimated at nearly \$1.8 billion. The State also provides a sizeable benefit to the university systems by paying debt service on bond-financed capital projects. State debt service payments for capital projects at SUNY and CUNY are estimated at \$1.3 billion in FY 2018, an increase of \$94 million from FY 2017 levels. Neither the fringe benefits nor debt service costs are reflected in annual spending totals for the university systems.

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 spending is projected to modestly decrease between FY 2017 to FY 2018. This change in spending reflects the timing of CUNY payments in FY 2018, the potential sale of certain CUNY building assets, and the reconciliation of prior year TAP payment advances to colleges. Lower spending is partially offset in FY 2018 by new higher education initiatives. The Excelsior Scholarship program will allow students of working-class and middle-class families to attend college tuition-free at all public universities in New York State. Enrollment growth associated with the Excelsior Scholarship program will also drive additional future spending in community college operating aid and TAP. The Budget also provides new funding to begin implementation of open

¹⁸ State support for CUNY fringe benefit costs are included in total spending for Senior Colleges and reflected in local assistance.

educational resources (low cost alternative to traditional textbooks) for students at SUNY and CUNY. SUNY and CUNY will use this funding to target high-enrollment courses to maximize student savings.

In addition, a new Enhanced Tuition Award will enable students attending private not-for-profit colleges to receive financial assistance to complete their college degree. The program provides a maximum award of \$3,000, requires private colleges to provide a match and freeze student tuition for the duration of the award, maximizing the financial benefit to the student. The Enacted Budget includes \$19 million for the program.

Health Care

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

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

Medicaid

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

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

The Enacted Budget Financial Plan reflects the continuation of the Medicaid spending cap through FY 2019, and the projections assume that statutory authority will be extended in subsequent years. Allowable growth under the cap for medical services is 3.2 percent for FY 2018. Projecting medical CPI growth, DOB currently forecasts allowable cap growth at 3.1 percent in FY 2019; 2.9 percent in FY 2020; and 2.8 percent in FY 2021.

State Financial Plan Projections Fiscal Years 2018 Through 2021

MEDICAID GLOBAL CAP FORECAST (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Global Medicaid Cap¹	17,692	18,259	18,825	19,371	19,914
Annual % Change		3.2%	3.1%	2.9%	2.8%

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

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

TOTAL STATE-SHARE MEDICAID DISBURSEMENTS ¹ (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
Department of Health Medicaid	<u>18,235</u>	<u>18,929</u>	<u>19,842</u>	<u>20,810</u>	<u>21,520</u>
Local Assistance	17,974	18,662	19,749	20,685	21,417
State Operations	261	364	422	452	474
MSA Payments (Share of Local Growth) ²	0	(97)	(329)	(327)	(371)
Other State Agency Medicaid Spending	<u>4,441</u>	<u>4,464</u>	<u>4,741</u>	<u>4,945</u>	<u>5,151</u>
Mental Hygiene	4,302	4,328	4,590	4,790	4,987
Foster Care	82	86	101	105	114
Education	57	50	50	50	50
Total State Share Medicaid (All Agencies)	22,676	23,393	24,583	25,755	26,671
Annual \$ Change		717	1,190	1,172	916
Annual % Change		3.2%	5.1%	4.8%	3.6%
Essential Plan³	313	491	419	439	455

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

² Tobacco MSA proceeds will be deposited directly to the MMIS Escrow Fund to cover total State share support for Medicaid.

³ The EP is not a Medicaid program; however, State-funded resources for the EP are managed under the Medicaid Global Cap.

State Financial Plan Projections Fiscal Years 2018 Through 2021

Annual Information Statement

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

DEPARTMENT OF HEALTH MEDICAID ¹ (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
STATE OPERATING FUNDS	22,989	23,884	3.9%	25,002	4.7%	26,194	4.8%	27,126	3.6%
Department of Health Medicaid	18,548	19,420	4.7%	20,261	4.3%	21,249	4.9%	21,975	3.4%
General Fund - DOH Medicaid Local	12,178	12,930	6.2%	13,808	6.8%	14,861	7.6%	15,664	5.4%
DOH Medicaid	10,457	10,788	3.2%	11,459	6.2%	12,070	5.3%	12,695	5.2%
Mental Hygiene - Global Cap Adjustment ²	1,125	1,249	11.0%	1,182	-5.4%	1,180	-0.2%	1,175	-0.4%
Minimum Wage	44	255	479.5%	579	127.1%	838	44.7%	882	5.3%
Local Growth Takeover (Zero Growth Phase-in) ³	552	735	33.2%	917	24.8%	1,100	20.0%	1,283	16.6%
MSA Payments (Share of Local Growth) ⁴	0	(97)	0.0%	(329)	-239.2%	(327)	0.6%	(371)	-13.5%
General Fund - DOH Medicaid State Ops	261	364	39.5%	422	15.9%	452	7.1%	474	4.9%
General Fund - Essential Plan	313	491	56.9%	419	-14.7%	439	4.8%	455	3.6%
Local Assistance	269	431	60.2%	355	-17.6%	365	2.8%	375	2.7%
State Operations	44	60	36.4%	64	6.7%	74	15.6%	80	8.1%
Other State Funds - DOH Medicaid Local	5,796	5,635	-2.8%	5,612	-0.4%	5,497	-2.0%	5,382	-2.1%
HCRA Financing	3,981	3,912	-1.7%	3,888	-0.6%	3,774	-2.9%	3,659	-3.0%
Indigent Care Support	965	892	-7.6%	892	0.0%	892	0.0%	892	0.0%
Provider Assessment Revenue	850	831	-2.2%	832	0.1%	831	-0.1%	831	0.0%
Other State Agency Medicaid Spending	4,441	4,464	0.5%	4,741	6.2%	4,945	4.3%	5,151	4.2%
USE OF MSA PAYMENTS (Share of Local Growth)⁴	0	97	0.0%	329	239.2%	327	-0.6%	371	13.5%
LOCAL SHARE OF MEDICAID^{5,6}	8,343	8,085	-3.1%	8,131	0.6%	8,061	-0.9%	8,090	0.4%
FEDERAL SHARE OF MEDICAID	37,719	39,622	5.0%	40,409	2.0%	41,362	2.4%	41,814	1.1%
DOH Medicaid	34,462	35,875	4.1%	36,304	1.2%	36,884	1.6%	36,873	0.0%
Essential Plan	3,257	3,747	15.0%	4,105	9.6%	4,478	9.1%	4,941	10.3%
ALL FUNDING SOURCES	69,051	71,688	3.8%	73,871	3.0%	75,944	2.8%	77,401	1.9%

¹ The EP is not a Medicaid program; however, State funded resources for EP are managed under the Medicaid Global Cap.
² The DOH Medicaid budget includes resources to fund a portion of Medicaid-related Mental Hygiene program costs under the Global Cap.
³ As of County Year (CY) 2015 the full share of local Medicaid services growth has been financed with State resources.
⁴ MSA payments will be deposited directly to the MMIS Escrow Fund to cover a portion of the State's share of local Medicaid growth.
⁵ The Local Share of Medicaid is paid by the Local Social Service Districts (counties), and is not included in the State's All Governmental Funds disbursement totals.
⁶ Fluctuation in the local share of Medicaid is related to certain supplemental payments made by local districts. Local Medicaid services payments are capped at CY 2015 levels.

The Enacted Budget Financial Plan includes \$382 million in annual savings from funding certain OPWDD-related Medicaid expenses under the Medicaid Global Cap. DOH will continue to implement various MRT actions to improve the efficiency and effectiveness in delivery of the statewide Medicaid program. These actions include savings associated with proposals to collaborate with New York City for achieving efficiencies; the establishment of a Medicaid pharmacy drug spending growth cap, which is inclusive of a process to mitigate excessive pricing; utilization of BIP funds to support Federal wage requirements; a requirement for Medicare enrollment among Medicaid beneficiaries who are dually eligible for both programs, with Medicare providing the first level of insurance coverage; efficiencies available through DSRIP; and funding for the QHP portion of the NYSOH health benefit exchange, which will be reduced by \$17 million in FY 2018 through the utilization of additional available Federal resources.

With the retirement of all of the State's tobacco securitization bonds on June 1, 2017, the Enacted Budget Financial Plan includes authorization to use MSA payments to fund a portion of the non-Federal share of annual Medicaid growth formerly borne by local governments, which the State now pays on behalf of local governments. The use of MSA payments will not affect total funding for the Medicaid program, but is expected to provide Enacted Budget Financial Plan relief through lower annual General Fund Medicaid disbursements. The table below lists the adjusted funding shares.

FUNDING SOURCES FOR STATE MEDICAID CONTRIBUTIONS (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
State Share Support	22,989	23,981	25,331	26,521	27,497
State Funds Medicaid Disbursements ¹	22,989	23,884	25,002	26,194	27,126
MSA Payments (Local Growth)	0	97	329	327	371

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

The Enacted Budget Financial Plan provides General Fund support to the Global Cap to fund the costs of the regionally-based, multi-year increase in the statewide minimum wage, including the impact of legislation (Chapter 56 of the Laws of 2016) which ensures that rates for the total compensation for home health care workers in Westchester, New York, Nassau, and Suffolk counties will be increased commensurate with the schedule of statutory minimum wage increases.¹⁹ The impact of these Minimum wage initiatives is projected to increase annual Medicaid spending above statutory Global Cap limits by \$255 million in FY 2018; \$579 million in FY 2019; \$838 million in FY 2020; and \$882 million in FY 2021.

Fluctuation in enrollment, costs of provider health care services, and health care utilization levels are among factors that drive higher Medicaid spending within the Global Cap. The number of Medicaid recipients is expected to exceed 6.2 million by the end of FY 2018, a slight increase from FY 2017.

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

¹⁹ Home health care workers in these counties receive a benefit portion of total compensation in addition to their wage-based compensation rate levels (\$4.09 for New York; \$3.22 for Westchester, Nassau, and Suffolk), resulting in total compensation which otherwise would have exceeded minimum wage levels and therefore was not factored into previous cost analysis. The impact of this legislation, however, effectively exempts the benefit portion of total compensation from the minimum wage calculation and ensures that home health care workers in these counties will receive incremental growth in wage compensation commensurate to the new minimum wage schedule.

With the new presidential administration and Congress, many existing policies that drive Federal aid are subject to change. It is not possible at this time to predict potential fiscal impacts of new policies that may be proposed and adopted. The FY 2018 Enacted Budget includes Federal Flexibility provisions to allow for the management of reductions of \$850 million or more in Federal funding for the State's Medicaid program during FY 2018. Management of such reduction levels would occur only through actions within the State's Medicaid program.

Essential Plan (EP)

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

ESSENTIAL PLAN (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL ALL FUNDS SPENDING	3,570	4,238	18.7%	4,524	6.7%	4,917	8.7%	5,396	9.7%
State Operating Funds	<u>313</u>	<u>491</u>	<u>56.9%</u>	<u>419</u>	<u>-14.7%</u>	<u>439</u>	<u>4.8%</u>	<u>455</u>	<u>3.6%</u>
Local Assistance	269	431	60.2%	355	-17.6%	365	2.8%	375	2.7%
State Operations	44	60	36.4%	64	6.7%	74	15.6%	80	8.1%
Federal Operating Funds	3,257	3,747	15.0%	4,105	9.6%	4,478	9.1%	4,941	10.3%

In future years, increased program costs associated with rising enrollment levels are anticipated to be partially or fully offset from Federal resources, as growth in the NYSOH index premium that is linked to Federal Basic Health Plan Trust Fund contributions is expected to exceed the growth rate of State-funded EP premium reimbursement. The Federal match percentage is forecasted in the range of 90 percent over the multiyear plan, in recognition of anticipated growth in the NYSOH index premium.

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

Many of the policies that drive Federal aid are subject to change with the new presidential administration and Congress. It is not possible at this time to assess the potential fiscal impact of policies that may be proposed and adopted by the new administration and Congress. The Enacted Budget includes authorization to develop a mitigation plan to offset the impact of significant Federal funding reductions.

Public Health/Aging Programs

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

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

PUBLIC HEALTH AND AGING (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	1,640	1,625	-0.9%	1,658	2.0%	1,807	9.0%	1,976	9.4%
Public Health	1,515	1,502	-0.9%	1,533	2.1%	1,677	9.4%	1,841	9.8%
Child Health Plus	219	235	7.3%	250	6.4%	380	52.0%	537	41.3%
General Public Health Work	194	198	2.1%	200	1.0%	204	2.0%	208	2.0%
EPIC	132	133	0.8%	128	-3.8%	128	0.0%	128	0.0%
Early Intervention	173	175	1.2%	173	-1.1%	173	0.0%	166	-4.0%
HCRA Program	405	398	-1.7%	399	0.3%	398	-0.3%	398	0.0%
All Other	392	363	-7.4%	383	5.5%	394	2.9%	404	2.5%
Aging	125	123	-1.6%	125	1.6%	130	4.0%	135	3.8%

The FY 2018 Enacted Budget Financial Plan includes initiatives to reduce certain public health programs by 20 percent, resulting in total annual savings of \$25 million funded from the General Fund and HCRA resources.

Declining spending for HCRA and other health programs is partly affected by funding Roswell Park Cancer Institute (RPCI) from capital projects funds. Outyear increases are driven largely by anticipated growth in COLA funding. The decline is also driven by a shift of funding for the Medicaid Utilization Review Program under the Medicaid Global Cap.

CHP spending is anticipated to increase significantly in FY 2020, reflecting the September 2019 expiration of enhanced Federal support currently provided through the ACA. Growth in FY 2021 reflects the full annual impact of the expiration of enhanced Federal support.

Spending for Aging reflects the use of available Federal BIP funds to support the expansion of the NY Connects/No Wrong Door program. After the expiration of Federal BIP funds in September 2017, the funding will be supported by the Medicaid Global Cap.

HCRA Financial Plan

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

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

HCRA FINANCIAL PLAN FY 2017 THROUGH FY 2021 (millions of dollars)					
	FY 2017 Results	FY 2018 Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
OPENING BALANCE	78	12	0	0	0
TOTAL RECEIPTS	5,799	5,772	5,796	5,817	5,788
Surcharges	3,262	3,311	3,369	3,428	3,496
Covered Lives Assessment	1,161	1,110	1,110	1,110	1,045
Cigarette Tax Revenue	876	847	816	781	748
Hospital Assessments	412	424	424	424	424
NYC Cigarette Tax Transfer/Other	88	80	77	74	75
TOTAL DISBURSEMENTS AND TRANSFERS	5,865	5,784	5,796	5,817	5,788
Medicaid Assistance Account ¹	<u>3,981</u>	<u>3,912</u>	<u>3,888</u>	<u>3,774</u>	<u>3,659</u>
Medicaid Costs	3,784	3,715	3,691	3,577	3,462
Workforce Recruitment & Retention	197	197	197	197	197
Hospital Indigent Care	965	892	892	892	892
HCRA Program Account	413	407	407	407	406
Child Health Plus	223	238	254	384	542
Elderly Pharmaceutical Insurance Coverage	143	145	140	140	140
SHIN-NY/APCD	10	40	40	40	0
All Other	130	150	175	180	149
ANNUAL OPERATING SURPLUS/(DEFICIT)	(66)	(12)	0	0	0
CLOSING BALANCE	12	0	0	0	0

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

Beginning in FY 2018, total HCRA receipts are forecasted to grow moderately through FY 2020, due primarily to higher surcharge collections generated from continued growth in health care utilization levels. Relative to previous assumptions and trends, this growth has been reflected in the Enacted Budget Financial Plan through additional surcharge collections of \$78 million in FY 2018; \$76 million in FY 2019; \$75 million in FY 2020 and \$84 million in FY 2021. Covered lives revenue is driven by utilization for certain public health programs, and reflects the extension of the reconciliation suspension in FYs 2018 through 2020.

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

HCRA Program Savings are derived from a 20 percent reduction in certain public health programs included in the Enacted Budget. Additionally, \$21 million in RPCI funding will be shifted into the Capital Projects Fund.

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

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

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

Mental Hygiene

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

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

MENTAL HYGIENE (millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	2,461	2,485	1.0%	2,962	19.2%	3,241	9.4%	3,460	6.8%
People with Developmental Disabilities	2,208	2,284	3.4%	2,477	8.5%	2,657	7.3%	2,813	5.9%
Residential Services	1,333	1,379	3.5%	1,496	8.5%	1,605	7.3%	1,699	5.9%
Day Programs	554	573	3.4%	622	8.6%	667	7.2%	706	5.8%
Clinic	24	25	4.2%	27	8.0%	29	7.4%	30	3.4%
All Other Local/Resources	297	307	3.4%	332	8.1%	356	7.2%	378	6.2%
Mental Health	1,187	1,205	1.5%	1,395	15.8%	1,480	6.1%	1,533	3.6%
Adult Local Services	952	979	2.8%	1,143	16.8%	1,208	5.7%	1,251	3.6%
Children Local Services	235	226	-3.8%	252	11.5%	272	7.9%	282	3.7%
Alcohol and Substance Abuse	304	334	9.8%	351	5.1%	373	6.3%	386	3.5%
Outpatient/Methadone	117	129	10.5%	135	4.7%	144	6.9%	149	3.5%
Residential	120	132	9.7%	138	4.5%	146	5.8%	151	3.4%
Prevention and Program Support	58	64	10.5%	67	5.2%	72	6.3%	74	3.5%
Crisis	9	9	-1.2%	11	17.7%	11	6.3%	12	3.5%
Justice Center	1	1	0.0%	1	0.0%	1	0.0%	1	0.0%
SUBTOTAL BEFORE ADJUSTMENTS	3,700	3,824	3.4%	4,224	10.5%	4,511	6.8%	4,733	4.9%
OPWDD Offsets and Recoupments¹	(1,239)	(1,339)	-8.1%	(1,262)	5.8%	(1,270)	-0.6%	(1,273)	-0.2%

¹ Includes the DOH Global Cap Adjustment (\$1.1 billion in FY 2017 and \$1.2 billion in Fys 2018-2021), and other offsets and recoupment actions to reduce net expenses.

Local assistance spending accounts for approximately 40 percent of total mental hygiene spending from State Operating Funds, and is projected to grow by an average rate of 8.9 percent annually. The main factors driving this level of growth are: enhancements in community mental health services; enhancements in community-based employment and residential opportunities for individuals with disabilities; and new or increased funding not-for-profit providers for growth in employee wages related to minimum wage increases.

The Enacted Budget Financial Plan includes approximately \$124 million in increased local assistance funding for mental hygiene agencies. The spending increase is largely related to new community investments in OPWDD and OMH, as individuals are transitioned from State-operated services to community-integrated settings; new service investments in the OPWDD system, including funding to promote access to vital supports and services for individuals aging out of their educational settings or moving from home; community reinvestment for individuals relocating from institutional settings; expansion of the Systemic Therapeutic Assessment Respite and Treatment (START) model to downstate and funding to support the direct cost of minimum wage increases; transition of new residential beds opening in the mental health provider community; and funding in OASAS to address the heroin and opioid crisis.

The Enacted Budget Financial Plan also provides funding to support a 6.5 percent raise over the next two years for direct care workers, and a 3.25 percent raise for clinical workers serving the mental hygiene community, both aimed at assisting non-profits in the recruitment and retention of employees. Partly offsetting these cost increases is a deferral of the statutory COLA in FY 2018 and FY 2019.

The additional funding increase is offset by technical adjustments to the Medicaid Global Cap (\$100 million), as a greater share of OPWDD-related spending will be financed from Global Cap resources. These technical adjustments have no impact on service delivery or operations of OMH, OPWDD, OASAS or the Justice Center.

State Funds local assistance spending for mental hygiene services is expected to increase in FY 2019 relative to the current-year projections due primarily to continued investments in community services.

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

Social Services

Office of Temporary and Disability Assistance (OTDA)

OTDA local assistance programs provide cash benefits and supportive services to low-income families. The State's three main programs include Family Assistance, Safety Net Assistance and Supplemental Security Income (SSI). The Family Assistance program, 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 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	1,220	1,316	7.9%	1,345	2.2%	1,356	0.8%	1,359	0.2%
SSI	645	658	2.0%	661	0.5%	663	0.3%	667	0.6%
Public Assistance Benefits	474	526	11.0%	545	3.6%	545	0.0%	541	-0.7%
Public Assistance Initiatives	11	26	136.4%	33	26.9%	33	0.0%	33	0.0%
All Other	90	106	17.8%	106	0.0%	115	8.5%	118	2.6%

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

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

Office of Children and Family Services (OCFS)

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

CHILDREN AND FAMILY SERVICES									
(millions of dollars)									
	FY 2017	FY 2018		FY 2019		FY 2020		FY 2021	
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	Change
TOTAL STATE OPERATING FUNDS	1,715	1,652	-3.7%	1,711	3.6%	1,847	7.9%	1,917	3.8%
Child Welfare Service	551	472	-14.3%	482	2.1%	491	1.9%	501	2.0%
Foster Care Block Grant	446	388	-13.0%	393	1.3%	399	1.5%	405	1.5%
Adoption	150	144	-4.0%	143	-0.7%	141	-1.4%	135	-4.3%
Day Care	203	262	29.1%	234	-10.7%	235	0.4%	236	0.4%
Youth Programs	100	147	47.0%	182	23.8%	294	61.5%	339	15.3%
Medicaid	82	86	4.9%	101	17.4%	105	4.0%	114	8.6%
Committees on Special Education	50	26	-48.0%	27	3.8%	30	11.1%	33	10.0%
Adult Protective/Domestic Violence	43	33	-23.3%	35	6.1%	36	2.9%	38	5.6%
All Other	90	94	4.4%	114	21.3%	116	1.8%	116	0.0%

OCFS State Operating Funds spending is projected to decline from FY 2017 to FY 2018 due to a variety of factors, including restructuring the financing approach for foster care tuition and residential school placements of children with special needs in New York City; adjustments to the State share reimbursement under the Foster Care Block Grant to an estimated 50 percent, net of Federal funding; and the elimination of the planned Human Services COLA in FY 2018.

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

Transportation

In FY 2018, the State will provide approximately \$5 billion in operating aid to mass transit systems, funded mainly from various dedicated taxes and fees. The MTA, the nation's largest transit and commuter rail system, receives the majority of this aid. The MTA receives additional, exclusive operating support from the MTA Financial Assistance Fund, authorized in May 2009 to collect regional taxes and fees imposed within the Metropolitan Commuter Transportation District (MCTD). The State collects these taxes and fees on behalf of, and disburses the entire amount to, the MTA. Pursuant to legislation enacted in December 2011, the MTA payroll tax was eliminated for all elementary and secondary schools and small business operators within the MCTD. The General Fund provides additional annual support to the MTA, subject to appropriation, to partially offset this revenue loss.

TRANSPORTATION (millions of dollars)									
	FY 2017	FY 2018	FY 2019		FY 2020		FY 2021		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	
STATE OPERATING FUNDS SUPPORT	4,977	5,027	1.0%	5,078	1.0%	5,174	1.9%	5,239	1.3%
Mass Transit Operating Aid:	<u>2,279</u>	<u>2,282</u>	<u>0.1%</u>	<u>2,282</u>	<u>0.0%</u>	<u>2,282</u>	<u>0.0%</u>	<u>2,282</u>	<u>0.0%</u>
Metro Mass Transit Aid	2,152	2,152	0.0%	2,152	0.0%	2,152	0.0%	2,152	0.0%
Public Transit Aid	83	86	3.6%	86	0.0%	86	0.0%	86	0.0%
18-b General Fund Aid	19	19	0.0%	19	0.0%	19	0.0%	19	0.0%
School Fare	25	25	0.0%	25	0.0%	25	0.0%	25	0.0%
Mobility Tax and MTA Aid Trust	1,967	2,005	1.9%	2,063	2.9%	2,159	4.7%	2,223	3.0%
Dedicated Mass Transit	669	668	-0.1%	676	1.2%	676	0.0%	677	0.1%
AMTAP	62	70	12.9%	57	-18.6%	57	0.0%	57	0.0%
All Other	0	2	-	0	-	0	0.0%	0	0.0%

Projected operating aid to the MTA and other transit systems reflects the current receipts forecast and timing associated with the availability of resources. The Enacted Budget Financial Plan includes revised spending estimates for transit assistance in each year to reflect the most recent revenue forecast assumptions. Funding is also included for Department of Motor Vehicles county special traffic options programs for driving while intoxicated.

Local Government Assistance

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

LOCAL GOVERNMENT ASSISTANCE - AIM PROGRAM (millions of dollars)									
	FY 2017	FY 2018	FY 2019		FY 2020		FY 2021		
	Results	Enacted	Change	Projected	Change	Projected	Change	Projected	
TOTAL STATE OPERATING FUNDS	715	723	1.1%	763	5.5%	763	0.0%	763	0.0%
Big Four Cities	429	429	0.0%	429	0.0%	429	0.0%	429	0.0%
Other Cities	218	218	0.0%	218	0.0%	218	0.0%	218	0.0%
Towns and Villages	68	68	0.0%	68	0.0%	68	0.0%	68	0.0%
Restructuring/Efficiency	0	8	-	48	500.0%	48	0.0%	48	0.0%

State Operating Funds spending for the various efficiency and restructuring grants within the AIM program is projected to grow modestly from FY 2017 to FY 2018, due to revisions in the timing of spending. Additional increases in the outyears reflect potential awards from the Financial Restructuring Board for Local Governments.

Agency Operations

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

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

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

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS					
	FY 2017	FY 2018	Forecast		
	Results ¹	Enacted	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected
Negotiated Base Salary Increases ²					
CSEA/Council 82/UUP/DC-37/NYSCOPBA/PBANYS	TBD	TBD	TBD	TBD	TBD
PEF/GSEU/MC	2%	2%	2%	TBD	TBD
NYSBPA/NYSPIA ³	1.5%	1.5%	TBD	TBD	TBD
State Workforce ⁴	117,909	118,481	TBD	TBD	TBD
ERS Contribution Rate					
Before Amortization ⁵	16.6%	16.7%	16.7%	17.4%	19.2%
After Amortization ⁶	20.2%	20.5%	20.5%	21.1%	22.8%
PFRS Contribution Rate					
Before Amortization ⁵	25.1%	25.3%	25.7%	27.1%	29.7%
After Amortization ⁶	28.5%	28.3%	29.3%	30.7%	33.2%
Employee/Retiree Health Insurance Growth Rates	7.0%	7.4%	6.9%	6.8%	6.8%
PS/Fringe as % of Receipts (All Funds Basis)	13.6%	13.3%	13.5%	13.7%	14.2%

¹ Reflects preliminary unaudited results.

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

³ Contracts contain "reopener" language which allows the union to reopen negotiations if any other State bargaining unit receives a general salary increase exceeding 1.5 percent in FY 2017 and in FY 2018.

⁴ Reflects workforce that is subject to direct Executive control.

⁵ Before amortization contribution rate reflects normal and administrative costs, contributions for the Group Life Insurance Plan (GLIP), and Chapter 41 of 2016 veterans' pension credit legislation.

⁶ After amortization contribution rate additionally includes new amortization, if any, and payments on prior amortizations.

Operating costs for PS/NPS are projected to increase over the Financial Plan period, from \$18.7 billion in FY 2018 to \$20.1 billion in FY 2021. Most executive agencies are expected to hold spending at FY 2017 levels. Increases in later years of the Financial Plan are driven mainly by juvenile justice reform, higher Medicaid administration expenses expected to support the NYSOH insurance exchange as available Federal funding expires, and an additional administrative payroll in FY 2021.

Executive agency operational costs are expected to total \$10 billion in FY 2018, a decline of \$24 million from FY 2017, driven by the reclassification of certain agency operating and equipment costs to better align with capital and Federal financing sources.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

STATE OPERATING FUNDS - PERSONAL SERVICE / NON-PERSONAL SERVICE COSTS					
(millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
SUBJECT TO DIRECT EXECUTIVE CONTROL	10,019	9,997	10,223	10,455	10,746
Mental Hygiene	2,761	2,744	2,728	2,764	2,808
Corrections and Community Supervision	2,641	2,617	2,620	2,627	2,633
State Police	720	671	670	670	695
Information Technology Services ¹	548	536	560	560	570
Public Health	384	367	364	365	370
Tax and Finance	332	330	329	329	340
Medicaid Admin/EP	305	422	486	527	554
Children and Family Services	250	244	289	375	442
Environmental Conservation	225	211	211	212	218
Financial Services	209	207	207	211	211
Parks, Recreation and Historic Preservation	178	169	169	170	176
General Services	161	144	142	138	139
Gaming	138	115	100	100	101
Temporary and Disability Assistance	138	125	125	132	136
Workers' Compensation Board	139	142	143	145	151
Potential Labor Agreements ²	0	555	650	700	750
Agency Financial Management Plan	0	(500)	(500)	(500)	(500)
All Other	890	898	930	930	952
UNIVERSITY SYSTEMS	6,097	6,079	6,321	6,487	6,666
State University	6,003	5,962	6,230	6,395	6,572
City University	94	117	91	92	94
INDEPENDENT AGENCIES	319	324	321	323	337
Law	170	175	174	176	184
Audit & Control (OSC)	149	149	147	147	153
TOTAL, EXCLUDING JUDICIARY AND LEGISLATURE	16,435	16,400	16,865	17,265	17,749
Judiciary	2,019	2,066	2,092	2,094	2,151
Legislature	226	226	218	218	219
Statewide Total	18,680	18,692	19,175	19,577	20,119
Personal Service	13,093	12,910	13,179	13,454	13,925
Non-Personal Service	5,587	5,782	5,996	6,123	6,194

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

² Excludes the value of a settlement with UUP.

The most significant changes to spending for agency operations include:

- **State Police:** Cost reductions primarily reflect the financing of certain State Police services by the recipients of such services. In addition, certain personal service spending related to titles associated with the maintenance and preservation of State assets has been reclassified to the capital projects fund.
- **Medicaid Administration/EP:** Increased spending starting in FY 2018 is mainly attributable to moving the QHP component of NYSOH administrative costs into the Global Medicaid Cap (from HCRA in Public Health), as well as anticipated higher Medicaid costs.
- **General Services:** Certain personal service spending related to titles associated with the maintenance and preservation of State assets are reclassified to the capital projects fund, which drives the spending decline in FY 2018.
- **Gaming:** A change in the accounting structure related to advertising costs whereby direct payment is made to the vendor instead of reimbursing the Gaming Commission, resulting in lower State Operating Funds spending by the Gaming Commission.
- **Children and Family Services:** The Enacted Budget Financial Plan includes additional funding in OCFS to support raising the age of juvenile jurisdiction from 16 to 18 by October 1, 2019.
- **IT Services:** Increases in spending for IT Services from FY 2018 to FY 2021 are attributable to agency transfers for the continuous statewide IT consolidation, which is offset by efficiencies realized through the IT consolidation.
- **State University:** SUNY spending over the Enacted Budget Financial Plan period reflects anticipated operating needs at SUNY campuses and hospitals, supported through campus revenues, State funding and hospital revenues.
- **Judiciary:** The Enacted Budget Financial Plan reflects the Judiciary's request to increase operating support, including the addition of 200 non-judicial positions in support of trial court operations, and temporary service funding for acting city, town and village justices.
- **Potential Labor Agreements:** Costs of the recently negotiated settlement agreements with PEF, now signed into law by the Governor and extended to unrepresented M/C employees, assuming the PEF model, will be provided to all other employee unions.
- **Agency Financial Management Plans:** The Enacted Budget Financial Plan includes \$500 million in annual savings that will be allocated to agencies as agency management plans are completed. All Executive agencies have been directed to implement cost-control measures on a recurring basis, starting in FY 2018. Agency management plans identifying cost reductions and efficiencies to achieve the targeted savings are expected to be reviewed and approved by DOB prior to implementation, and must preserve funding for core services and strategic initiatives.

Workforce

In FY 2018, \$12.9 billion or 13.2 percent of the State Operating Funds budget is projected to be spent on PS costs. This funding supports roughly 95,000 FTE employees under direct Executive control; individuals employed by SUNY and CUNY (43,252) and Independent Agencies (18,276); employees paid on a non-annual salaried basis; and overtime pay. Roughly 60 percent of all Executive agency PS spending occurs in three areas: SUNY, the mental hygiene agencies, and the Department of Corrections and Community Supervision (DOCCS).

STATE OPERATING FUNDS		
FY 2018 FTEs ¹ AND PERSONAL SERVICE SPENDING BY AGENCY (millions of dollars)		
	Dollars	FTEs
Subject to Direct Executive Control	7,138	94,888
Mental Hygiene Agencies	2,231	32,587
Corrections and Community Supervision	2,052	27,309
State Police	611	5,636
Tax and Finance	270	3,978
Information Technology Services	271	3,406
Health	254	3,693
Environmental Conservation	170	2,124
Children and Family Services	160	2,406
Financial Services	152	1,382
Parks, Recreation and Historic Preservation	124	1,305
Education	88	1,263
Workers' Compensation Board	81	1,165
Temporary and Disability Assistance	69	1,033
General Services	57	907
All Other	548	6,694
University Systems	3,770	43,252
State University	3,694	42,869
City University ²	76	383
Independent Agencies	2,002	18,276
Law	121	1,583
Audit & Control (OSC)	115	1,603
Judiciary	1,595	15,089
Legislature ³	171	1
Total	12,910	156,416

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

² CUNY employees are funded primarily through an agency trust fund that supports an additional 13,166 FTEs, which are excluded from this table.

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

General State Charges

Employee fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, the State's employer-share of Social Security, health insurance, workers' compensation, unemployment insurance, survivors' benefits fund, employee benefits funds, and dental and vision benefits. The majority of employee fringe benefit costs are paid centrally from statewide appropriations in the GSCs budget.²⁰ The Judiciary pays its fringe benefit costs directly.

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

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

GSCs are projected to increase at an average annual rate of 6.5 percent over the multi-year Financial Plan period, driven primarily by cost increases for workers' compensation, growing pension contribution levels, and the State's share of costs for employee and retiree health insurance benefits.

In FY 2018, State Operating Funds spending for GSCs is projected to increase by \$429 million (5.6 percent). Health insurance increases reflect rising prescription drug costs, greater use of more expensive specialty drugs for chronic conditions, generic drug price inflation, increased outpatient utilization, and increased inpatient/outpatient utilization in Mental Health. Pension cost increases are driven by actual and forecasted salary base assumptions and the repayment of prior-year amortizations, partially offset by an increase in lower cost Tier 6 entrants.

GENERAL STATE CHARGES (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
TOTAL STATE OPERATING FUNDS	7,634	8,063	5.6%	8,663	7.4%	9,202	6.2%	9,833	6.9%
Fringe Benefits	7,212	7,636	5.9%	8,230	7.8%	8,762	6.5%	9,386	7.1%
Health Insurance	3,708	3,983	7.4%	4,260	7.0%	4,551	6.8%	4,860	6.8%
Pensions	2,446	2,540	3.8%	2,647	4.2%	2,761	4.3%	2,990	8.3%
Social Security	992	992	0.0%	995	0.3%	1,003	0.8%	1,009	0.6%
Workers' Compensation	230	326	41.7%	476	46.0%	591	24.2%	681	15.2%
Employee Benefits	94	95	1.1%	95	0.0%	95	0.0%	95	0.0%
Dental Insurance	64	65	1.6%	65	0.0%	66	1.5%	67	1.5%
Unemployment Insurance	11	15	36.4%	15	0.0%	15	0.0%	15	0.0%
All Other/Non-State Escrow	(333)	(380)	-14.1%	(323)	15.0%	(320)	0.9%	(331)	-3.4%
Fixed Costs	422	427	1.2%	433	1.4%	440	1.6%	447	1.6%

²⁰ As of July 2015, SUNY Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA- CREF) and other SUNY fringe benefit costs are no longer paid directly by SUNY, and have been shifted to the central statewide appropriation.

Growth in base GSC spending in FY 2018 has been partly offset by gap-closing savings of approximately \$81 million included as part of the Enacted Budget Financial Plan, as well as the expected use of an additional \$105 million from SIF reserves to reduce Workers' Compensation costs in FY 2018. The savings are primarily driven by \$63 million in interest savings achieved by paying the majority of the State pension bill in April 2017, rather than on a monthly basis as previously assumed.

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

Agency fringe benefit spending, and the reimbursement of such payments to the General Fund, have been updated based on recent billing and payment activity.

Transfers to Other Funds (General Fund Basis)

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

GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Results	Enacted	Projected	Projected	Projected
TOTAL TRANSFERS TO OTHER FUNDS	10,092	10,164	12,163	12,299	12,156
State Share of Mental Hygiene Medicaid ¹	1,239	1,301	1,231	1,119	1,119
Debt Service	924	921	1,155	1,053	1,074
SUNY University Operations	996	1,015	1,005	1,001	1,001
Capital Projects	2,569	2,627	4,068	3,899	3,479
Dedicated Highway and Bridge Trust Fund	562	696	671	982	997
Dedicated Infrastructure Investment Fund	697	1,402	1,767	1,217	933
FY 2017 Temporary Loan to Capital Projects Fund ²	1,300	(1,300)	0	0	0
FY 2018 Temporary Loan to Capital Projects Fund ²	0	500	(500)	0	0
Transfer to DIIF for Javits Expansion	0	160	350	320	170
Bond Proceeds Receipts for Javits Expansion	0	0	0	(500)	(500)
Mass Transit Capital from Settlements	0	85	0	0	0
Statewide Health Care Capital from Settlements	0	25	45	50	50
Environmental Protection Fund	146	28	28	28	28
All Other Capital ³	(136)	1,031	1,707	1,802	1,801
ALL OTHER TRANSFERS	4,364	4,300	4,704	5,227	5,483
Mental Hygiene	3,287	3,197	3,598	4,102	4,330
Department of Transportation (MTA Payroll Tax)	334	268	269	269	270
SUNY - Medicaid Reimbursement	267	232	243	243	243
Judiciary Funds	107	106	110	109	110
SUNY - Hospital Operations	88	79	79	79	79
Dedicated Mass Transportation Trust Fund	63	66	66	66	66
Banking Services	42	53	53	53	53
Indigent Legal Services	31	35	35	58	82
Mass Transportation Operating Assistance	19	21	21	21	21
Public Transportation Systems	15	16	16	16	16
Correctional Industries	11	12	12	12	12
Spinal Cord Injury	8	9	9	9	9
Medical Marihuana Fund	5	5	7	5	7
SUNY - General Income Fund Reimbursable Accour	14	14	0	0	0
All Other	73	187	186	185	185

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

² Represents the temporary use of Extraordinary Monetary Settlement fund balances to pay for capital projects in the first instance. These advances will be repaid in the following year when the State reimburses the capital spending from bond proceeds.

³ FY 2017 reflects the use of available bond proceeds to reimburse first-instance capital spending from prior years. This timing-related issue resulted in the State reimbursing more than it disbursed in FY 2017.

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

General Fund transfers to other funds are expected to total \$10.2 billion in FY 2018, a \$72 million increase from FY 2017. This growth is primarily attributable to an increase in transfers to capital projects, including increased support for the DHBTF (\$134 million); as well as lower than anticipated transfers to capital projects funds in 2017, reflecting the timing of bond proceeds reimbursements from a March 2017 bond sale (\$1.2 billion). These increases are almost entirely offset by a \$1.2 billion decline in transfers of Extraordinary Monetary Settlement funds for projects appropriated from DIIF and the capital projects fund in FY 2018, including temporary loans and planned repayment of funds related to debt management actions.

Debt Service

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

DEBT SERVICE SPENDING PROJECTIONS (millions of dollars)									
	FY 2017 Results	FY 2018 Enacted	Change	FY 2019 Projected	Change	FY 2020 Projected	Change	FY 2021 Projected	Change
General Fund	924	921	-0.3%	1,155	25.4%	1,053	-8.8%	1,074	2.0%
Other State Support	4,590	4,398	-4.2%	5,344	21.5%	6,081	13.8%	6,328	4.1%
State Operating/All Funds Total	5,514	5,319	-3.5%	6,499	22.2%	7,134	9.8%	7,402	3.8%

Total State Operating/All Funds debt service is projected to be \$5.3 billion in FY 2018, of which approximately \$921 million is paid from the General Fund via transfers, and \$4.4 billion from other State funds supported by dedicated tax receipts. The General Fund transfer finances debt service payments on General Obligation and service contract bonds. Debt service for the State's revenue bonds is paid directly from other dedicated State funds, subject to appropriation, including PIT and Sales Tax bonds, DHBTB bonds, and mental health facilities bonds.

Enacted Budget Financial Plan estimates for debt service spending have been revised to reflect a number of factors, including bond sale results to date, assumed debt management savings, revised bond-financed capital spending estimates, and increased debt service costs associated with enacted additional capital commitment levels. Debt service spending in FY 2017 reflected pre-payments of about \$490 million of debt service due during FY 2018.

Financial Plan Tables

The following tables present the multi-year projections for State Operating Funds and All Governmental Funds, as well as monthly cashflow detail for the General Fund.²¹ The Financial Plan projections for FY 2018 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, as State Operating Funds is currently constituted, to no greater than 2 percent. The estimated savings are labeled in the Financial Plan tables as “Adherence to 2% Spending Benchmark.” Total disbursements in Financial Plan tables and discussion do not assume these savings. If the 2 percent State Operating Funds spending benchmark is not adhered to, the projected budget gaps would be higher.

²¹ Differences may occur from time to time between the State's Financial Plan and OSC financial reports in the presentation and reporting of receipts and disbursements. For example, the Enacted Budget Financial Plan and the AIS may reflect a net expenditure amount while OSC may report the gross amount of the expenditure. If such differences in reporting between DOB and OSC occur, this could result in differences in the presentation and reporting of receipts and disbursements for discrete funds, as well as differences in the presentation and reporting for total State Operating Funds and total All Governmental Funds.

State Financial Plan Projections Fiscal Years 2018 Through 2021

Annual Information
Statement

CASH RECEIPTS ALL GOVERNMENTAL FUNDS FY 2018 THROUGH FY 2021 (millions of dollars)				
	FY 2018 Enacted	FY 2019 Enacted	FY 2020 Enacted	FY 2021 Enacted
Taxes:				
Withholdings	39,459	41,314	42,557	43,543
Estimated Payments	15,924	17,521	19,069	18,712
Final Payments	2,511	2,669	2,818	2,978
Other Payments	1,416	1,487	1,551	1,588
Gross Collections	59,310	62,991	65,995	66,821
State/City Offset	(873)	(898)	(824)	(849)
Refunds	(9,055)	(10,220)	(11,252)	(10,505)
Reported Tax Collections	49,382	51,873	53,919	55,467
STAR (Dedicated Deposits)	0	0	0	0
RBTF (Dedicated Transfers)	0	0	0	0
Personal Income Tax	49,382	51,873	53,919	55,467
Sales and Use Tax	14,584	15,178	15,766	16,371
Cigarette and Tobacco Taxes	1,190	1,150	1,104	1,061
Motor Fuel Tax	515	512	507	504
Alcoholic Beverage Taxes	262	267	272	276
Medical Marijuana Excise Tax	1	1	1	1
Highway Use Tax	96	142	142	143
Auto Rental Tax	137	141	149	156
Taxicab Surcharge	64	64	64	64
TNC Assessment	12	24	24	24
Gross Utility Taxes and Fees	16,861	17,479	18,029	18,600
LGAC/STBF (Dedicated Transfers)	0	0	0	0
Consumption/Use Taxes	16,861	17,479	18,029	18,600
Corporation Franchise Tax	4,175	4,373	4,823	5,123
Corporation and Utilities Tax	765	744	754	764
Insurance Taxes	1,616	1,745	1,828	1,965
Bank Tax	328	143	71	0
Petroleum Business Tax	1,085	1,122	1,111	1,105
Business Taxes	7,969	8,127	8,587	8,957
Estate Tax	1,052	1,033	1,092	1,155
Real Estate Transfer Tax	1,204	1,258	1,308	1,360
Gift Tax	0	0	0	0
Real Property Gains Tax	0	0	0	0
Pari-Mutuel Taxes	17	17	17	17
Other Taxes	3	3	3	3
Gross Other Taxes	2,276	2,311	2,420	2,535
Real Estate Transfer Tax (Dedicated)	0	0	0	0
Other Taxes	2,276	2,311	2,420	2,535
Payroll Tax	1,438	1,503	1,578	1,645
Total Taxes	77,926	81,293	84,533	87,204
Licenses, Fees, Etc.	653	634	657	640
Abandoned Property	450	450	450	450
Motor Vehicle Fees	1,431	1,453	1,461	1,455
ABC License Fee	63	66	66	62
Reimbursements	289	286	288	288
Investment Income	21	8	8	8
Other Transactions	23,602	23,683	23,371	22,495
Miscellaneous Receipts	26,509	26,580	26,301	25,398
Federal Receipts	56,642	57,516	57,819	57,998
Total	161,077	165,389	168,653	170,600

Source: NYS DOB.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2018 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Opening Fund Balance	7,749	3,732	144	11,625
Receipts:				
Taxes	48,634	7,713	20,252	76,599
Miscellaneous Receipts	2,152	16,744	459	19,355
Federal Receipts	0	1	73	74
Total Receipts	50,786	24,458	20,784	96,028
Disbursements:				
Local Assistance Grants	47,069	18,989	0	66,058
Departmental Operations:				
Personal Service	5,950	6,960	0	12,910
Non-Personal Service	2,227	3,518	37	5,782
General State Charges	5,789	2,274	0	8,063
Debt Service	0	0	5,319	5,319
Capital Projects	0	2	0	2
Total Disbursements	61,035	31,743	5,356	98,134
Other Financing Sources (Uses):				
Transfers from Other Funds	19,048	7,848	3,765	30,661
Transfers to Other Funds	(10,164)	(954)	(19,190)	(30,308)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	8,884	6,894	(15,425)	353
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,365)	(391)	3	(1,753)
Closing Fund Balance	6,384	3,341	147	9,872

Source: NYS DOB.

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2019 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	50,934	7,756	21,208	79,898
Miscellaneous Receipts	2,128	16,319	458	18,905
Federal Receipts	0	1	73	74
Total Receipts	53,062	24,076	21,739	98,877
Disbursements:				
Local Assistance Grants	50,112	18,878	0	68,990
Departmental Operations:				
Personal Service	6,237	6,942	0	13,179
Non-Personal Service	2,513	3,433	50	5,996
General State Charges	6,328	2,335	0	8,663
Debt Service	0	0	6,499	6,499
Capital Projects	0	0	0	0
Total Disbursements	65,190	31,588	6,549	103,327
Other Financing Sources (Uses):				
Transfers from Other Funds	18,608	8,091	3,959	30,658
Transfers to Other Funds	(12,163)	(342)	(19,146)	(31,651)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,445	7,749	(15,187)	(993)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,662	0	0	1,662
Total Use (Reservation) of Fund Balance	1,662	0	0	1,662
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	(4,021)	237	3	(3,781)
Adherence to 2% Spending Benchmark*				
	3,230	0	0	3,230
Net Surplus (Deficit)	(791)	237	3	(551)

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

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
FY 2020
(millions of dollars)

	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	53,284	7,812	22,046	83,142
Miscellaneous Receipts	2,135	16,217	459	18,811
Federal Receipts	0	1	73	74
Total Receipts	55,419	24,030	22,578	102,027
Disbursements:				
Local Assistance Grants	53,101	18,940	0	72,041
Departmental Operations:				
Personal Service	6,424	7,030	0	13,454
Non-Personal Service	2,661	3,412	50	6,123
General State Charges	6,792	2,410	0	9,202
Debt Service	0	0	7,134	7,134
Capital Projects	0	0	0	0
Total Disbursements	68,978	31,792	7,184	107,954
Other Financing Sources (Uses):				
Transfers from Other Funds	18,918	8,339	3,923	31,180
Transfers to Other Funds	(12,299)	(338)	(19,312)	(31,949)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	6,619	8,001	(15,389)	(769)
Use (Reservation) of Fund Balance:				
Monetary Settlements	1,087	0	0	1,087
Total Use (Reservation) of Fund Balance	1,087	0	0	1,087
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	(5,853)	239	5	(5,609)
Adherence to 2% Spending Benchmark*				
	5,855	0	0	5,855
Net Surplus (Deficit)	2	239	5	246

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

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

Annual Information
Statement

CASH FINANCIAL PLAN STATE OPERATING FUNDS BUDGET FY 2021 (millions of dollars)				
	General Fund	State Special Revenue Funds	Debt Service Funds	State Operating Funds Total
Receipts:				
Taxes	55,186	7,858	22,769	85,813
Miscellaneous Receipts	2,058	15,991	452	18,501
Federal Receipts	0	1	73	74
Total Receipts	57,244	23,850	23,294	104,388
Disbursements:				
Local Assistance Grants	55,745	18,997	0	74,742
Departmental Operations:				
Personal Service	6,796	7,129	0	13,925
Non-Personal Service	2,718	3,426	50	6,194
General State Charges	7,357	2,476	0	9,833
Debt Service	0	0	7,402	7,402
Capital Projects	0	0	0	0
Total Disbursements	72,616	32,028	7,452	112,096
Other Financing Sources (Uses):				
Transfers from Other Funds	19,363	8,529	3,854	31,746
Transfers to Other Funds	(12,156)	(241)	(19,691)	(32,088)
Bond and Note Proceeds	0	0	0	0
Net Other Financing Sources (Uses)	7,207	8,288	(15,837)	(342)
Use (Reservation) of Fund Balance:				
Monetary Settlements	653	0	0	653
Total Use (Reservation) of Fund Balance	653	0	0	653
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)				
	(7,512)	110	5	(7,397)
Adherence to 2% Spending Benchmark*	7,955	0	0	7,955
Net Surplus (Deficit)	443	110	5	558

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

Source: NYS DOB.

State Financial Plan Projections
Fiscal Years 2018 Through 2021

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2018 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Opening Fund Balance	7,749	4,272	(1,060)	144	11,105
Receipts:					
Taxes	48,634	7,713	1,327	20,252	77,926
Miscellaneous Receipts	2,152	16,956	6,942	459	26,509
Federal Receipts	0	54,323	2,246	73	56,642
Total Receipts	50,786	78,992	10,515	20,784	161,077
Disbursements:					
Local Assistance Grants	47,069	69,057	5,164	0	121,290
Departmental Operations:					
Personal Service	5,950	7,577	0	0	13,527
Non-Personal Service	2,227	4,902	0	37	7,166
General State Charges	5,789	2,588	0	0	8,377
Debt Service	0	0	0	5,319	5,319
Capital Projects	0	2	7,947	0	7,949
Total Disbursements	61,035	84,126	13,111	5,356	163,628
Other Financing Sources (Uses):					
Transfers from Other Funds	19,048	7,860	3,056	3,765	33,729
Transfers to Other Funds	(10,164)	(3,018)	(1,466)	(19,190)	(33,838)
Bond and Note Proceeds	0	0	988	0	988
Net Other Financing Sources (Uses)	8,884	4,842	2,578	(15,425)	879
Excess (Deficiency) of Receipts and Other Financing Sources (Uses) Over Disbursements	(1,365)	(292)	(18)	3	(1,672)
Closing Fund Balance	6,384	3,980	(1,078)	147	9,433

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

Annual Information
Statement

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2019 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	50,934	7,756	1,395	21,208	81,293
Miscellaneous Receipts	2,128	16,531	7,463	458	26,580
Federal Receipts	0	55,014	2,429	73	57,516
Total Receipts	53,062	79,301	11,287	21,739	165,389
Disbursements:					
Local Assistance Grants	50,112	69,656	4,897	0	124,665
Departmental Operations:					
Personal Service	6,237	7,567	0	0	13,804
Non-Personal Service	2,513	4,842	0	50	7,405
General State Charges	6,328	2,650	0	0	8,978
Debt Service	0	0	0	6,499	6,499
Capital Projects	0	0	9,760	0	9,760
Total Disbursements	65,190	84,715	14,657	6,549	171,111
Other Financing Sources (Uses):					
Transfers from Other Funds	18,608	8,103	4,355	3,959	35,025
Transfers to Other Funds	(12,163)	(2,351)	(1,485)	(19,146)	(35,145)
Bond and Note Proceeds	0	0	478	0	478
Net Other Financing Sources (Uses)	6,445	5,752	3,348	(15,187)	358
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,662	0	0	0	1,662
Total Use (Reservation) of Fund Balance	1,662	0	0	0	1,662
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(4,021)	338	(22)	3	(3,702)
Adherence to 2% Spending Benchmark*					
	3,230	0	0	0	3,230
Net Surplus (Deficit)	(791)	338	(22)	3	(472)

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

Source: NYS DOB.

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
FY 2020
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	53,284	7,812	1,391	22,046	84,533
Miscellaneous Receipts	2,135	16,429	7,278	459	26,301
Federal Receipts	0	55,531	2,215	73	57,819
Total Receipts	55,419	79,772	10,884	22,578	168,653
Disbursements:					
Local Assistance Grants	53,101	70,394	4,645	0	128,140
Departmental Operations:					
Personal Service	6,424	7,659	0	0	14,083
Non-Personal Service	2,661	4,875	0	50	7,586
General State Charges	6,792	2,730	0	0	9,522
Debt Service	0	0	0	7,134	7,134
Capital Projects	0	0	9,059	0	9,059
Total Disbursements	68,978	85,658	13,704	7,184	175,524
Other Financing Sources (Uses):					
Transfers from Other Funds	18,918	8,351	4,161	3,923	35,353
Transfers to Other Funds	(12,299)	(2,118)	(1,740)	(19,312)	(35,469)
Bond and Note Proceeds	0	0	387	0	387
Net Other Financing Sources (Uses)	6,619	6,233	2,808	(15,389)	271
Use (Reservation) of Fund Balance:					
Monetary Settlements	1,087	0	0	0	1,087
Total Use (Reservation) of Fund Balance	1,087	0	0	0	1,087
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(5,853)	347	(12)	5	(5,513)
Adherence to 2% Spending Benchmark*					
	5,855	0	0	0	5,855
Net Surplus (Deficit)	2	347	(12)	5	342

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

Source: NYS DOB.

State Financial Plan Projections Fiscal Years 2018 Through 2021

Annual Information
Statement

CASH FINANCIAL PLAN ALL GOVERNMENTAL FUNDS FY 2021 (millions of dollars)					
	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Total
Receipts:					
Taxes	55,186	7,858	1,391	22,769	87,204
Miscellaneous Receipts	2,058	16,206	6,682	452	25,398
Federal Receipts	0	55,754	2,171	73	57,998
Total Receipts	57,244	79,818	10,244	23,294	170,600
Disbursements:					
Local Assistance Grants	55,745	70,749	4,124	0	130,618
Departmental Operations:					
Personal Service	6,796	7,784	0	0	14,580
Non-Personal Service	2,718	4,869	0	50	7,637
General State Charges	7,357	2,806	0	0	10,163
Debt Service	0	0	0	7,402	7,402
Capital Projects	0	0	8,407	0	8,407
Total Disbursements	72,616	86,208	12,531	7,452	178,807
Other Financing Sources (Uses):					
Transfers from Other Funds	19,363	8,541	3,675	3,854	35,433
Transfers to Other Funds	(12,156)	(2,028)	(1,684)	(19,691)	(35,559)
Bond and Note Proceeds	0	0	301	0	301
Net Other Financing Sources (Uses)	7,207	6,513	2,292	(15,837)	175
Use (Reservation) of Fund Balance:					
Monetary Settlements	653	0	0	0	653
Total Use (Reservation) of Fund Balance	653	0	0	0	653
Excess (Deficiency) of Receipts and Use (Reservation) of Fund Balance Over Disbursements (Before 2% Adherence)					
	(7,512)	123	5	5	(7,379)
Adherence to 2% Spending Benchmark*					
	7,955	0	0	0	7,955
Net Surplus (Deficit)	443	123	5	5	576

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

Source: NYS DOB.

**CASHFLOW
GENERAL FUND
FY 2018
(millions of dollars)**

	2017 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2018 January Projected	February Projected	March Projected	Total
OPENING BALANCE	7,749	7,405	2,216	2,466	3,359	2,862	5,825	5,572	3,885	7,513	9,630	9,442	7,749
RECEIPTS:													
Personal Income Tax	3,751	1,697	3,684	2,105	2,273	3,779	2,043	1,743	4,015	4,244	2,577	2,495	34,406
Consumption/Use Taxes	522	543	769	591	561	756	584	591	739	613	489	680	7,438
Business Taxes	421	58	677	(97)	161	985	12	170	1,308	53	92	1,878	5,718
Other Taxes	91	89	89	89	90	90	89	89	89	89	89	89	1,072
Total Taxes	<u>4,785</u>	<u>2,387</u>	<u>5,219</u>	<u>2,688</u>	<u>3,085</u>	<u>5,610</u>	<u>2,728</u>	<u>2,593</u>	<u>6,151</u>	<u>4,999</u>	<u>3,247</u>	<u>5,142</u>	<u>48,634</u>
Abandoned Property	0	0	0	0	0	35	30	155	50	0	0	180	450
ABC License Fee	6	5	5	5	5	6	6	5	5	5	6	4	63
Investment Income	4	1	2	1	2	1	2	1	2	1	2	2	21
Licenses, Fees, etc.	27	70	55	50	60	35	50	55	65	70	30	86	653
Motor Vehicle Fees	36	2	19	19	20	21	19	21	17	18	19	18	229
Reimbursements	2	15	45	10	5	50	5	25	45	10	20	57	289
Other Transactions	20	30	78	17	18	72	41	18	59	18	18	58	447
Total Miscellaneous Receipts	<u>95</u>	<u>123</u>	<u>204</u>	<u>102</u>	<u>110</u>	<u>220</u>	<u>153</u>	<u>280</u>	<u>243</u>	<u>122</u>	<u>95</u>	<u>405</u>	<u>2,152</u>
Federal Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0
PIT in Excess of Revenue Bond Debt Service	1,249	548	1,247	494	301	1,539	683	383	1,386	759	648	1,686	10,923
Tax in Excess of LGAC	234	59	519	267	225	351	265	264	343	280	3	310	3,120
Sales Tax Bond Fund	179	190	292	209	199	319	201	199	279	216	165	318	2,766
Real Estate Taxes in Excess of CW/CA Debt Service	81	84	87	88	91	93	91	80	84	93	79	72	1,023
All Other	10	1	10	5	1	103	12	14	5	38	148	869	1,216
Total Transfers from Other Funds	<u>1,753</u>	<u>882</u>	<u>2,155</u>	<u>1,063</u>	<u>817</u>	<u>2,405</u>	<u>1,252</u>	<u>940</u>	<u>2,097</u>	<u>1,386</u>	<u>1,043</u>	<u>3,255</u>	<u>19,048</u>
TOTAL RECEIPTS	6,633	3,392	7,578	3,853	4,012	8,235	4,133	3,813	8,491	6,507	4,385	8,802	69,834
DISBURSEMENTS:													
School Aid	868	3,388	1,911	71	685	1,561	953	1,590	1,998	496	642	8,157	22,320
Higher Education	19	19	947	234	127	237	108	46	185	78	316	483	2,799
All Other Education	95	574	156	118	256	116	52	31	277	34	173	374	2,256
Medicaid - DOH	1,376	1,925	1,079	822	1,241	1,072	926	1,314	969	1,174	930	534	13,362
Public Health	68	181	56	91	43	39	33	40	70	34	29	18	702
Mental Hygiene	2	4	209	4	4	208	2	3	232	3	57	160	888
Children and Families	36	45	355	72	72	269	72	72	269	72	105	210	1,649
Temporary & Disability Assistance	95	104	163	104	105	105	104	106	106	105	104	115	1,316
Transportation	0	25	14	0	25	0	0	25	12	0	13	0	114
Unrestricted Aid	0	12	389	0	0	101	7	0	187	0	0	65	761
All Other	11	(89)	164	14	24	32	104	143	112	106	130	151	902
Total Local Assistance Grants	<u>2,570</u>	<u>6,188</u>	<u>5,443</u>	<u>1,530</u>	<u>2,582</u>	<u>3,740</u>	<u>2,361</u>	<u>3,370</u>	<u>4,417</u>	<u>2,102</u>	<u>2,499</u>	<u>10,267</u>	<u>47,069</u>
Personal Service	485	639	473	430	605	427	428	577	437	480	454	515	5,950
Non-Personal Service	91	215	178	170	187	182	170	180	187	189	184	294	2,227
Total Departmental Operations	<u>576</u>	<u>854</u>	<u>651</u>	<u>600</u>	<u>792</u>	<u>609</u>	<u>598</u>	<u>757</u>	<u>624</u>	<u>669</u>	<u>638</u>	<u>809</u>	<u>8,177</u>
General State Charges	2,398	272	290	405	108	352	479	163	290	519	239	274	5,789
Debt Service	274	0	(2)	141	(3)	(59)	362	0	(2)	302	(20)	(72)	921
Capital Projects	310	331	481	(487)	516	399	6	414	(723)	581	545	254	2,627
State Share Medicaid	100	119	162	107	41	179	47	108	182	46	116	94	1,301
SUNY Operations	218	218	218	181	0	0	0	181	0	0	0	(1)	1,015
Other Purposes	531	599	85	483	473	52	533	507	75	171	556	235	4,300
Total Transfers to Other Funds	<u>1,433</u>	<u>1,267</u>	<u>944</u>	<u>425</u>	<u>1,027</u>	<u>571</u>	<u>948</u>	<u>1,210</u>	<u>(468)</u>	<u>1,100</u>	<u>1,197</u>	<u>510</u>	<u>10,164</u>
TOTAL DISBURSEMENTS	6,977	8,581	7,328	2,960	4,509	5,272	4,386	5,500	4,863	4,390	4,573	11,860	71,199
Excess/(Deficiency) of Receipts over Disbursements	(344)	(5,189)	250	893	(497)	2,963	(253)	(1,687)	3,628	2,117	(188)	(3,058)	(1,365)
CLOSING BALANCE	7,405	2,216	2,466	3,359	2,862	5,825	5,572	3,885	7,513	9,630	9,442	6,384	6,384

Source: NYS DOB.

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FORM OF OPINION OF CO-BOND COUNSEL

Upon delivery of the Series 2018A Senior Bonds Hawkins Delafield & Wood LLP and Pearlman & Miranda LLC, Co-Bond Counsel to the Corporation, propose to render their final approving opinion in substantially the following form:

[Date of Delivery]

New York Local Government
Assistance Corporation
Albany, New York

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance of \$256,045,000 aggregate principal amount of Series 2018A Senior Lien Refunding Bonds (the “Series 2018A Senior Bonds”), of the New York Local Government Assistance Corporation (the “Corporation”), a corporate governmental agency and instrumentality of the State of New York (the “State”) constituting a public benefit corporation, created and existing under and pursuant to the Constitution and statutes of the State, including the New York State Local Government Assistance Corporation Act, Chapter 220 of the Laws of 1990, as amended (the “Act”).

The Series 2018A Senior Bonds are authorized and issued under and pursuant to the Act and the General Bond Resolution of the Corporation, adopted February 19, 1991, as amended (the “General Bond Resolution”) and the Series 2018A Resolution Authorizing up to \$400,000,000 of Bonds, adopted March 1, 2018 (the “Series Resolution”). The General Bond Resolution and the Series Resolution, together with the Comptroller's Series Certificate relating to the Series 2018A Senior Bonds dated as of March 22, 2018 (the “Comptroller's Series Certificate”), are herein collectively called the “Resolutions.”

The Series 2018A Senior Bonds are senior lien bonds of the Corporation (the “Bonds”) which the Corporation has established and created under the terms of the General Bond Resolution. The Corporation is authorized to issue Bonds from time to time for its corporate purposes authorized by the Act, as of the date of adoption of the General Bond Resolution, and limited as to amount as provided in the Resolutions or as may be further limited by law. The Corporation has covenanted with the owners of certain bonds of the Corporation to limit the issuance of additional bonds. The Series 2018A Senior Bonds are being issued for the purposes set forth in the Series Resolution.

The Corporation is authorized to issue Bonds, in addition to the Series 2018A Senior Bonds, only upon the terms and conditions set forth in the General Bond Resolution and such Bonds, when issued, will, with the Series 2018A Senior Bonds and with all other such Bonds theretofore issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the General Bond Resolution.

The Act provides for, among other things, creating the Corporation as aforesaid, adding a new section 92-r to Article 6 of the State Finance Law, and establishes a local government assistance tax fund (the “Tax Fund”) in the joint custody of the Comptroller of the State and the Commissioner of Taxation and Finance of the State. Under the Act, the Tax Fund consists of the amount of revenue collected within the State from the imposition of the sales and compensating use taxes (including interest and penalties) pursuant to Sections 1105 and 1110 of the Tax Law of the State (the “Sales Tax”) equal to the amount attributable to a one percent rate of taxation, less such amounts as the Commissioner of Taxation and Finance of the State may determine to be necessary for refunds.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2018A Senior Bonds in order that interest on the Series 2018A Senior Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Corporation, dated the date hereof (the “Arbitrage and Use of Proceeds Certificate”), in which the Corporation has made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2018A Senior Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the Series 2018A Senior Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the Corporation to take certain actions necessary to cause interest on the Series 2018A Senior Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code could cause interest on the Series 2018A Senior Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The Corporation has covenanted in the Resolutions to maintain the exclusion of the interest on the Series 2018A Senior Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 8 hereof, we have relied upon and assumed the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion of interest on the Series 2018A Senior Bonds from gross income for federal income tax purposes under Section 103 of the Code and compliance by the Corporation with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

A portion of the proceeds of the Series 2018A Senior Bonds is being used to redeem or pay at maturity, as applicable, certain Outstanding Senior Bonds of the Corporation issued pursuant to the General Bond Resolution, such Bonds as described in the hereinafter defined Escrow Agreement as being redeemed or paid at maturity with proceeds of the Series 2018A Senior Bonds (collectively, the “Refunded Bonds”). A portion of the proceeds of the Series 2018A Senior Bonds, together with any other amounts made available by the Corporation (the “Defeasance Deposit”), has been used to purchase direct obligations of the United States of America in an aggregate amount sufficient, together with any amounts held uninvested, to pay when due the principal or Redemption Price and interest due and to become due on said Refunded Bonds (the “Defeasance Requirement”). Such Defeasance Deposit is being held in trust under the Series 2018A Escrow Deposit Agreement, dated March 22, 2018 (the “Escrow Agreement”), by and between the Corporation and The Bank of New York Mellon, as escrow agent thereunder and as Trustee. The Corporation has given the Trustee, in form satisfactory to it, irrevocable instructions to give notice in accordance with the General Bond Resolution of the redemption of the Refunded Bonds being redeemed prior to maturity and the deposit of the Defeasance Deposit. Samuel Klein & Company has prepared a report stating that they have reviewed the accuracy of the mathematical computations of the adequacy of the Defeasance Deposit, as invested, to pay in full the Defeasance Requirement when due. We have undertaken no independent verification of the adequacy of the Defeasance Deposit.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Corporation is duly created and validly exists as a corporate governmental agency and instrumentality of the State constituting a public benefit corporation under the laws of the State, including the Constitution of the State and the Act, with the good right and lawful authority and power to adopt the Resolutions, to issue the Bonds including the Series 2018A Senior Bonds thereunder and to perform the obligations and covenants contained in the Resolutions and the Series 2018A Senior Bonds. Under the laws of the State, including the Constitution of the State, and under the Constitution of the United States, the Act is valid with respect to all provisions thereof material to the subject matters of this opinion letter.

2. The Series Resolution has been duly and lawfully adopted in accordance with the provisions of the General Bond Resolution and is authorized and permitted by the General Bond Resolution. The Resolutions have been duly and lawfully adopted by the Corporation and are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, and no other authorization for the Resolutions is required. Pursuant to the Act, the Resolutions create the valid pledge and lien which they purport to create of the revenues, moneys, securities and funds held or set aside under the Resolutions, subject only to the application thereof to the purposes and on the conditions permitted by the Resolutions. The lien created by the Resolutions on such revenues, moneys, securities and funds in the Debt Service Fund and the Capital Reserve Fund is and will be prior to all other liens thereon. All revenues, moneys and securities, as and when received, in the Debt Service Fund and the Capital Reserve Fund in accordance with the Resolutions, will be validly subject to the pledge and lien created by the Resolutions.

3. The Series 2018A Senior Bonds have been duly and validly authorized and issued by the Corporation in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolutions. The Series 2018A Senior Bonds are valid and binding general obligations of the Corporation payable as provided in the Resolutions, are enforceable in accordance with their terms, respectively, and the terms of the Resolutions and are entitled, together with additional Bonds issued under the General Bond Resolution, to the equal benefit, protection and security of the provisions, covenants and obligations of the General Bond Resolution and of the Act.

4. Pursuant to the Act and the General Bond Resolution, the Corporation has validly covenanted that it shall cause the Chairperson of the Corporation annually, not less than 120 days before the beginning of each fiscal year of the Corporation (except with respect to the fiscal year ending March 31, 1991), to make and deliver to the Governor and the Comptroller of the State a certificate stating the cash requirements of the Corporation for such fiscal year. Subdivision 3 of Section 3240 of the Act providing for the payment to the Corporation of such amounts as shall be so certified by the Chairperson, does not constitute an enforceable obligation or debt of the State, such amounts being subject to annual appropriation for such purpose by the Legislature of the State, which is empowered, but is not bound or obligated, to appropriate such amount.

5. The Series 2018A Senior Bonds do not constitute a debt either of the State or of any unit of local government, and neither the State nor any unit of local government shall be liable thereon, nor shall the Series 2018A Senior Bonds be payable out of any funds other than those of the Corporation.

6. The State has the good right and lawful authority:

(a) to provide for the appropriation of, and at least annually to appropriate to, the Corporation, from the Tax Fund or other funds of the State, amounts sufficient to enable the Corporation to fulfill the terms of the Resolutions and to carry out its corporate purposes, but the State is not bound or obligated to make such appropriations;

(b) to impose and to increase or decrease the Sales Tax, and to amend, repeal, modify or otherwise alter statutes imposing or relating to the Sales Tax; the State is not bound or obligated to continue the imposition of the Sales Tax; and

(c) to establish the Tax Fund, but the State is not bound or obligated to maintain the existence of the Tax Fund.

7. The Corporation, the owners of the Bonds, or holders of any evidence of indebtedness of the Corporation do not have nor will they have a pledge of or lien on the Tax Fund or the Sales Tax.

8. Under existing statutes and court decisions (i) interest on the Series 2018A Senior Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2018A Senior Bonds is not treated as a preference item in calculating the alternative

minimum tax 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 for taxable years beginning prior to January 1, 2018.

9. Under existing statutes, the interest on the Series 2018A Senior Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

10. The Escrow Agreement has been duly authorized, executed and delivered by the Corporation and, assuming the due authorization, execution and delivery by the Trustee, is a valid and binding obligation of the Corporation, enforceable in accordance with its terms. The Refunded Bonds have been paid within the meaning and with the effect expressed in the General Bond Resolution, and the covenants, agreements and other obligations of the Corporation to the holders of the Refunded Bonds have been discharged and satisfied.

11. No registration with, consent of, or approval by any governmental agency or commission that has not been obtained is necessary for the execution and delivery and the issuance of the Series 2018A Senior Bonds.

12. The adoption and performance by the Corporation of, and compliance with, all of the terms and conditions of the Resolutions and the Series 2018A Senior Bonds, and the execution and delivery of the Series 2018A Senior Bonds, will not result in a violation of or be in conflict with any term or provision of any existing law applicable to the Corporation.

We have examined a fully executed Series 2018A Senior Bond and, in our opinion, the form of said Series 2018A Senior Bond and its execution are regular and proper.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2018A Senior Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances that may hereafter come to our attention, for any changes in law or in interpretations thereof that may hereafter occur or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Series 2018A Senior Bonds, or the exemption from personal income taxes of the interest on the Series 2018A Senior Bonds under state and local tax laws.

The foregoing opinions are qualified only to the extent that the enforceability of the Resolution and the Series 2018A Senior Bonds may be limited by bankruptcy, moratorium, insolvency, reorganization or 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 express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2018A Senior Bonds. Our services did not include financial or other non-legal advice.

This opinion 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.

Very truly yours,

REFUNDED BONDS

A portion of the proceeds of the Series 2018A Senior Bonds, along with other amounts made available by the Corporation, will be used to redeem the following Senior Bonds.

Series	Principal Amount	Maturity Date	Redemption Date	Call Price	CUSIP*
2007A	\$19,635,000	04/01/2019	04/23/2018	100%	649876 G78
2008A	\$90,005,000	04/01/2019	04/23/2018	100%	649876 J34
2008A	\$94,510,000	04/01/2020	04/23/2018	100%	649876 J42
2008A	\$23,705,000	04/01/2021	04/23/2018	100%	649876 J59
2008B-AV	\$37,250,000	04/01/2021	04/06/2018	100%	649876 K40
2008B-BV	\$37,225,000	04/01/2021	04/06/2018	100%	649876 K57

A portion of the proceeds of the Series 2018A Senior Bonds, along with other amounts made available by the Corporation, will be used to pay at maturity or make a scheduled sinking fund installment payment for, as applicable, the following Senior Bonds.

Series	Principal Amount	Maturity Date	CUSIP*
2008A	\$18,385,000	04/01/2018	649876 J34
2008B-AV	\$6,365,000	04/01/2018 ⁽¹⁾	649876 K40
2008B-BV	\$6,365,000	04/01/2018 ⁽¹⁾	649876 K57

* Copyright, American Bankers Association (“ABA”). CUSIP numbers have been assigned by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a part of S&P Global Inc., and are included solely for the convenience of the Series 2018A Senior Bonds Bondholders. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2018A Senior Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2018A Senior Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2018A Senior Bonds.

¹ Scheduled sinking fund installment payment.

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FORM OF CONTINUING DISCLOSURE AGREEMENT

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**NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
SERIES 2018A SENIOR LIEN REFUNDING BONDS
AGREEMENT TO PROVIDE CONTINUING DISCLOSURE
UNDER SEC RULE 15c2-12**

THIS AGREEMENT, dated March 22, 2018, is made by and among the Corporation, the State, and the Trustee, each as defined below in Section 1.

In order to permit the Initial Purchaser to comply with the provisions of Rule 15c2-12 in connection with the public offering of the Bonds, the parties hereto, 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, as follows:

Section 1. Definitions. Capitalized terms used but not defined herein as follows shall have the meaning ascribed to them in the Resolutions.

“**Annual Information**” shall mean the information specified in Section 3 hereof.

“**Bonds**” shall mean the New York Local Government Assistance Corporation’s \$256,045,000 aggregate principal amount of Series 2018A Bonds.

“**Comptroller**” shall mean the Comptroller of the State of New York.

“**Corporation**” shall mean the New York Local Government Assistance Corporation, a public benefit corporation of the State of New York and the issuer of the Bonds, and any successor thereto.

“**Director**” shall mean the Director of the Budget of the State of New York.

“**EMMA**” shall mean the MSRB’s Electronic Municipal Market Access System.

“**GAAP**” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“**GAAS**” shall mean generally accepted auditing standards as in effect from time to time in the United States.

“**Holder**” shall mean any registered owner of Bonds, and, if registered in the name of Cede & Co. through DTC, any Beneficial Owner of Bonds, unless the Staff of the Securities and Exchange Commission determines that the Rule does not require the Agreement to be for the benefit of such Beneficial Owners.

“**Listed Events**” shall mean any of the events listed in Section 2(ii) (a) or (b) of this Agreement.

“**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.

“**Official Statement**” shall mean the Official Statement of the Corporation, dated March 15, 2018 relating to the Bonds.

“**Resolutions**” shall mean the General Bond Resolution adopted by the Corporation on February 19, 1991, as amended and supplemented, together with the Series Resolution adopted thereunder authorizing the issuance of the Bonds.

“**Rule 15c2-12**” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement.

“**State**” shall mean the State of New York, an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12, acting by and through the Director and the Comptroller, as the case may be.

“**Trustee**” shall mean The Bank of New York Mellon, a banking corporation organized and existing under the laws of New York.

Section 2. Obligations to Provide Continuing Disclosure.

(i) Obligations of the State and the Corporation.

(a) The State, acting by and through the Director, hereby undertakes, for the benefit of Holders of the Bonds, to provide, no later than one hundred twenty (120) days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2018, to the MSRB through its EMMA system 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 provide, no later than one hundred twenty (120) days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2018, audited financial statements of the State for such fiscal year to the MSRB through its EMMA system; 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 delivered to the MSRB through its EMMA system if and when they become available.

(c) The Corporation hereby undertakes, for the benefit of the Holders of the Bonds, to provide, no later than one hundred twenty (120) days after the end of each of its fiscal years, commencing with the fiscal year ending March 31, 2018, audited financial statements of the Corporation for such fiscal year to the MSRB through its EMMA system; 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 delivered to the MSRB through its EMMA system if and when they become available.

(d) The Director, the Comptroller and the Trustee shall notify the Corporation and the Trustee (unless such notice is from the Trustee) of the occurrence of any Listed Event, promptly upon becoming aware of the occurrence of any such event, including, without limitation, any change in the State’s credit rating by any rating agency.

(ii) Obligations of the Corporation. The Corporation hereby undertakes, for the benefit of Holders of the Bonds, to provide:

(a) notices of any of the following events with respect to the Bonds: (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) issuance by the IRS of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material events affecting the tax status of the security; (7) modifications to the 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; and of the following events, if material; (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; or (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) to the MSRB through its EMMA system, in a timely manner, notice of a failure by the State or the Corporation to comply with Section 2(i)(a), (b) or (c) hereof.

(c) The Corporation shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the dates specified in Section 2(i).

(d) Whenever the Corporation obtains knowledge of the occurrence of a Listed Event described in Section 2(ii)(a), the Corporation shall determine if such event would be material under applicable federal securities laws.

(e) If the Corporation learns of the occurrence of a Listed Event described in Section 2(ii)(a), or determines that knowledge of a Listed Event described in Section 2(ii)(a) would be material under applicable federal securities laws, the Issuer shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (ii)(a)(7) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

(iii) 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. Upon any such termination, the Corporation shall provide notice thereof to the MSRB through its EMMA system.

(iv) Other Information. Nothing herein shall be deemed to prevent the Corporation 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 Corporation or the State should disseminate any such additional information, the Corporation or the State shall have no obligation hereunder to update such information or include it in any future materials disseminated hereunder.

(v) Disclaimer by the Corporation. The Corporation 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)(a) and Section 2(i)(b) hereof, and its obligations hereunder shall be limited solely to the undertakings set forth in Section 2(i)(c) and Section 2(ii) hereof.

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 final Official Statement under the heading “The Sales Tax,” which shall include information relating to the following:

(1) the rate and base of the sales tax, together with information concerning the imposition and collection of the sales tax;

(2) historical information relating to sales tax receipts for the period of the ten most recent completed fiscal years then available, together with estimated amounts for the current fiscal year if estimates are then available, in substance similar to Table 1 under the heading “The Sales Tax” in the Official Statement;

(3) historical information setting forth monthly sales tax receipts for the period of the five most recent completed fiscal years then available, in substance similar to Table 2 under the heading “The Sales Tax” in the Official Statement; and

(4) estimated debt service coverage for the then current fiscal year, in substance similar to the information set forth under “The Sales Tax-Estimated Debt Service Coverage” in the Official Statement.

unless, with respect to items (1) through (4) just described, the source of revenue for the payment of the Bonds has been materially changed or modified, in which case the Annual Information will include similar information about such new or modified source of revenue, whether on an actual historical basis, a pro forma basis or otherwise; and

(b) financial information and operating data of the type included in the Annual Information Statement of the State set forth in Appendix B to the Official Statement 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 concerning the State and the sources of revenue for the Local Government Assistance Tax Fund and in judging the financial condition of the State and the sales tax (or other sources of revenue).

(ii) Cross Reference. All or any portion of the Annual Information may be provided by cross-reference to any other documents which have been filed with the MSRB through its EMMA system; and the audited financial statements of the State and the Corporation may also be so provided.

Section 4. Financial Statements.

The annual financial statements of the State and the Corporation for each fiscal year shall be prepared in accordance with GAAP as in effect from time to time (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 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 Article XII of the Resolutions with respect to the enforcement of remedies of Holders upon the occurrence of an event of default under Section 1202(9) thereof as though such provisions applied hereunder. Failure by any party to perform its obligations hereunder shall not constitute an Event of Default under the Resolutions or any other agreement executed and delivered in connection with the issuance of the Bonds.

Section 6. Parties in Interest.

This Agreement is executed and delivered solely for the benefit of the Holders of the Bonds. Except as provided in Section 5, no other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments.

(i) Without the consent of any Holders of Bonds, each of the Corporation, the State, and the Trustee 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, or nature, or status of the Corporation 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) the amendment does not adversely affect the interests of the Holders in any material respect, as determined by the Trustee or by nationally recognized bond counsel. (In determining whether or not there is such an adverse effect, the Trustee may rely upon an opinion of nationally recognized bond counsel.)

(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 in 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 discussion 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 sent to the MSRB through its EMMA system.

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 the Bonds shall have been paid in full or the Bonds shall have otherwise been paid or legally defeased pursuant to the Resolutions; provided, however, that if Rule 15c2-12 (or 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, the Corporation shall provide notice of such defeasance to the MSRB through its EMMA system, and such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 9. The Trustee.

(i) Except as specifically provided herein, this Agreement shall not create any obligation or duty on the part of the Trustee and the Trustee shall not be subject to any liability hereunder for acting or failing to act as the case may be.

(ii) The Trustee shall be indemnified and held harmless in connection with this Agreement, to the same extent provided in the Resolutions 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 such counterparts shall together constitute one and the same instrument.

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IN WITNESS WHEREOF, the undersigned have duly authorized, executed and delivered this Agreement as of the date first above written.

THE BANK OF NEW YORK MELLON,
Trustee for the benefit of Bondholders

NEW YORK LOCAL GOVERNMENT
ASSISTANCE CORPORATION, Issuer

By: _____
Name:
Title:

By: _____
Name:
Title:

THE STATE OF NEW YORK,
Obligated Person

By: THOMAS P. DINAPOLI
STATE COMPTROLLER

By: _____
Name:
Title:

By: ROBERT F. MUJICA, JR.
DIRECTOR OF THE BUDGET

By: _____
Name:
Title:

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BOOK-ENTRY-ONLY SYSTEM PROCEDURES

The information set forth herein concerning DTC and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Corporation, the Trustee, or the Initial Purchaser. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.

DTC will act as securities depository for the Series 2018A Senior Bonds under a book-entry system with no physical distribution of the Series 2018A Senior Bonds made to the public. The Series 2018A Senior Bonds will initially 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 bond certificate will be issued for each maturity of the Series 2018A Senior Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. 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"). DTC has a Standard & Poor's rating of "AA+". The DTC rules applicable to its participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2018A Senior Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018A Senior Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018A Senior 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 2018A Senior 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 the Series 2018A Senior Bonds, except in the event that use of the book-entry system for the Series 2018A Senior Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018A Senior 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 Series 2018A Senior Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018A Senior Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A Senior 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 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. Beneficial Owners of Series 2018A Senior Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018A Senior Bonds, such as redemptions, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2018A Senior Bonds may wish to ascertain that the nominee holding the Series 2018A Senior Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018A Senior Bonds of a series within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of the Series 2018A Senior Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2018A Senior 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 2018A Senior Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and redemption price of, and interest on, the Series 2018A Senior 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 the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct and Indirect Participants and not of DTC (or its nominee), the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and redemption price of, and interest on, the Series 2018A Senior Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018A Senior Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2018A Senior Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2018A Senior 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 the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

The Corporation, the Trustee, and the Initial Purchaser cannot and do not give any assurances that DTC will distribute to its participants or that Direct Participants or Indirect Participants will distribute to Beneficial Owners of the Series 2018A Senior Bonds (a) payments of principal or redemption price of, or interest on, the Series 2018A Senior Bonds, or (b) confirmation of ownership interests in the Series 2018A Senior Bonds, or (c) redemption or other notices, or that they will do so on a timely basis, or that DTC, Direct Participants, or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the SEC and the current "procedures" of DTC to be followed in dealing with its participants are on file with DTC.

None of the Corporation, the Trustee, or the Initial Purchaser will have any responsibility or obligation to DTC participants, Beneficial Owners, or other nominees of such Beneficial Owners for: (a) sending transaction statements; (b) maintaining, supervising, or reviewing the accuracy of any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (c) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal or redemption price of, or interest on, the Series 2018A Senior Bonds; (d) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice (including notice of redemption) or other communication, which is required to be given to holders or owners of the Series 2018A Senior Bonds; (e) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2018A Senior Bonds; or (f) any action taken by DTC or its nominee as the registered owner of the Series 2018A Senior Bonds.

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